

**MINUTES OF THE STUDY SESSION
OF THE STATE TRANSPORTATION BOARD
3:10 p.m. – 5:15 p.m., Thursday, May 15, 2008
Arizona Department of Transportation
East Flagstaff Community Library
3000 N. 4th Street, Suite 5
Flagstaff, Arizona 86004**

Roll call of board members:

Si Schorr – Chairman, Bill Feldmeier, Bob Montoya, Delbert Householder – Vice Chairman, Victor Flores, Felipe Zubia (absent), Bobbie Lundstrom (absent)

Pledge of Allegiance lead by Bill Feldmeier.

***ITEM 1:** Arizona Rural Transit Needs Study Briefing presented by Rakesh Tripathi and Stephen Decker of Cambridge Systematic.

Rakesh Tripathi gives an overview. This study was a \$200,000 study. A great innovation of this study was that AzTA (Arizona Transit Association) was an integral part of this study. They provided a \$50,000 match for this study. Very rarely is it seen in the nation any state where the Transit Association and the State DOT working together to come up with a transit plan. This is a tremendous accomplishment for the department. Matt Carpenter who is the project manager of this study did a great job on this study.

The findings of this study in general are that the rural population continues to grow in our State where distance and geographic diversity is very much the norm in 12 of the 15 counties. The elderly population continues to grow in those same areas along with suburban and urban environments. We have been having tremendous growth in this state. In 2007, only 18% of the transit need was being met in Arizona. That is a tremendous amount of deficit. By 2016, without enhanced investments in capital and operating assistance, only 13% of transit needs will be met. We have tremendous growth, we have tremendous need from folks who either because of age, economic realities or environmental sensitivities either cannot drive or would like not to drive.

The current need is met right now through the FTA program that the department administers. Stephen will go into the various funding categories for the rural, urban, elderly/disabled and such. One of the things that the report also says is that there is tremendous need to create a robust system and robust service in the state to accommodate the kind of growth and need that we have.

Stephen Decker – President of Cambridge Systematic. This is a study lead by ADOT in partnership with the Arizona Transit Association as well as the regional COGs and other transit operators across the State. It was a very good effort in terms of participation across multiple agencies to define needs. Mr. Decker presents the briefing.

The purpose of the study was to define regionally based transit needs and potential solutions for rural transit across the state. A variety of partners, transit operators, COGs, ADOT and the Arizona Transit Association collected available data going out to the public to try to understand the needs and doing some technical analysis associated with what the needs are in terms of transit, what is currently unmet and what might be unmet in the future. They will then need to define some solutions whether it is funding solutions and also transportation infrastructure solutions for the future. Part of what was done was to establish Arizona's first real look at long-term, long-range planning for transit. Part of the process will also be to build this into Arizona's long-range transportation planning process an element of the multimodal plan.

Some of the key questions that we tried to answer as part of this analysis included geographic diversity. What is rural Arizona? Rural Arizona today will change in the future. Places like Pinal County and other places will not be rural in the future. We addressed those issues in this study as well. We did look at elderly and persons with disabilities, Title 9, persons in poverty. We looked at where the people are with these income levels, where these folks wanted to travel, what types of services they required and need to get around the transportation system to provide and do the things they need to do on a daily basis. We looked at transit needs and gaps. How much rural transit needs are currently being met, what that is going to be in the future and how can we achieve meeting those needs? We also tried to define roles and responsibilities for the various agencies including ADOT, transit providers and COGs to try to meet these needs in the future.

In terms of the methodology, the State was split up into nine geographic regions across the State. That is how we did the technical analysis. We also did our public outreach which was fairly extensive within all of those regions as well. We did not look at all the urban area transit as far as this study was concerned, Tucson, Phoenix, Yuma, Flagstaff and Prescott.

In terms of the geographic diversity that was mentioned earlier, certainly we are seeing a tremendous growth in these transit users over time. Our period of analysis was a 10-year period to 2016. The greatest increase of the folks dependent on these services is the elderly.

Question – When you talk about excluding some of the cities like Flagstaff, being classified as urban, does that put those communities at a disadvantage for funds, grants or anything of that nature?

Stephen Decker – The funding mechanism for this rural transit is different from the urban, so there are opportunities to get urban transit funding for Flagstaff, Maricopa, Phoenix, etc. Those cities might be at a disadvantage because they do not get the potential funding for these rural systems if they are in the urban area. In Flagstaff as well as in Maricopa County, there are regions there that are considered rural that will be and are getting funds from the rural Federal funding programs. There is a possibility even in the predominantly urban areas to get some of these funds. There are other funding mechanisms that cities can tap into, and cities cannot as an urban area tap into the rural funds for the most part. It is designed for rural.

Question – Will there be fewer funds available for our public transportation if we are categorized as an urban area over a rural area?

Stephen Decker – It depends on how Flagstaff tries to define the transit funding needs for their rural portion of the region. They will be able to tap into those funding sources, or attempt to, to fund transit in their region. Flagstaff would be eligible for a different pot of money for urban oriented areas. There might be some regions within Flagstaff that would be considered rural that might have access to these funding sources for rural transit. Prescott is considered urban.

The elderly population is growing at a tremendous rate and the percentage of the elderly population by 2016 will grow 4% - 5%; therefore that need for these services is growing as well. Pinal County is showing the most significant growth. Cochise, Mohave, Yavapai and a few others are showing significant growth in elderly population, or are expected to see significant growth as well. That has been driving the demand for these services as well.

The federally mandated definitions of what is rural or an urban constituency are taken from the census. That will be coming up shortly and there is little that the community can do about it. They either are or are not. The expectations in the future are that some portions of Pinal County will be urbanized in 10 years based on the projected growth. That is a projection of urbanization that we have looked into and addressed in this study.

Chairman Si Schorr read in a study by the University of Arizona a few years ago that the rate of growth for the elderly and the disabled who need transit services is exponentially greater than the general population growth in the state. Is that something that you are finding in this report also?

Stephen Decker – When we look at the elderly, the stats say that in 10 years the elderly population will grow by 51%. That proportion to the total population is growing about 5 – 6 point range, so there will be more elderly as part of that overall population dependent on these types of services over the next 10 years. That could change depending on the mix of people continuing to come into the state.

There are primarily two types of transit systems. Primarily bus funded by two finding programs, 5311 and 5310. 5311 could provide services that could be a fixed service or demand-responsive service and they also pay for maintenance as well as capital. The 5310 could be for churches, that is equipment based. They could buy buses. It is not about maintenance. That is what those programs are about. It is not inner city bus or inner city rail. It is rural transit internal to those rural regions, rural to rural, some rural to urban for sure.

In terms of some of the key findings of the study, we are looking at 7.8 M today. If services would be available, 7.8 M annual trips would be taken by transit. There are not those services available. I think we are at about 1.4 M that actually use these services. The gap is big, 82%, so the demand is not being met. Only 18% is being met. When we project that out to 10 years, the gap gets bigger when the demand by potential transit users by 2016 is over 10 M. If current service levels existed, we would be at 13% of meeting those needs with the existing services of today. We have tried to establish those needs and now we are trying to define the solutions of funding that could be used to bridge or close that gap.

Counties with the most demand, Pinal County is about 2.5 M potential trips annually. Mohave and now Cochise with about a million trips. Those are the counties with significant growth expected and need for these services.

The gap is wide, 18%, and of those 10.5 M that we expect to be transit dependent demand users by 2016, we are trying to define through this study methods funding sources to try to build the infrastructure to meet those demand needs.

Bill Feldmeier – In this study, did you explore why people were living where they were living that required these trips?

Stephen Decker – We did not explore the market demand phenomenon, what brings people to a region. We did hear some anecdotal reasons for that from the public outreach. Certainly the quality of life in rural areas is one of the reasons for people living and relocating to these locations. Part of the quality of life is transportation services to get them to hospitals, other services, shopping and other things that they need to do if they do not have a car. That will potentially impact the growth in these areas, if those services are not available. We did not look into the exact impact of what that would be.

The land use study was more related to the attractions, where people wanted to go. We tried to understand the services and where they were taking people. A lot of these services are demand responsive. It is not a certain, fixed-route type of system. We did have some information on the attractions when it comes to land use. It was not driven by land use decision making in terms of where these transit services would be located.

New speaker – Editorial comment. We are destined to fail in providing the kind of service that we need unless we change land use patterns. We still have people living in one house every two acres and they are asking for an urban-type service. That does not work. If we have people in a consolidated cluster-like community in a rural setting, then it works with a balance of jobs, housing and services.

Stephen Decker – That is what many communities strive for in terms of their connection of transportation with land use.

Chairman Si Schorr – In talking about the unmet needs that were positive here, are any of those going to be addressed in the TIME Coalition proposal initiative?

Victor Mendez – Within the initiative, there is a line item called “Public Transit Projects and Programs”. I think it totals out to \$7.7 B. A component of that, \$1.2 B is geared toward addressing these needs. That number was based on this rural transit study.

New speaker – When you talk about the \$1.2 B, what category does that fall under? Are we going to give 100%, 75%, 50% coverage?

Victor Mendez – In the TIME Coalition initiative, \$1.2 B is going to be allocated to public transportation Statewide. The majority of that will go to rural. Some will go to the MAG and PAG area but the report is not available now but should be available late tomorrow afternoon. The plan is to sign off on the program breakdown tomorrow afternoon late and get it to you tomorrow afternoon.

Chairman Si Schorr – We can say that at least \$600 M will be allocated to rural transit.

Victor Mendez does not recall the number. The \$1.2 B is primarily geared toward the rural needs.

Stephen Decker – Our numbers that we came up with in the study annually to meet all capital and operating needs are \$133 M a year. The dollars are exorbitant. To get to 75% of need or 50%, it is estimated \$65 M to get to at least 50% of these unmet needs. Right now we are at 18%.

In terms of rules and responsibilities, the State, COGs, local and tribal governments and the transit operators all have to work in tandem to find needs, to find potential solutions, how much those solutions cost and try to define those funding sources and secure funding. Certainly the State in claiming and obligating Federal funds to meet these needs would be great. Part of the strategy may be developing performance based funding criteria. That could be one way a transit system could gain funding. Certainly the councils and governments are going to be key partners in this process as well as the transit operators. It is a multi-headed rules and responsibilities matrix when it comes to getting this accomplished.

In conclusion, there is a tremendous amount of growth. We are at about 18% of the eminent needs. These needs will continue to grow. Solutions need to include multimodal to help address these solutions. These folks will not be using cars. A multimodal transportation system would be very beneficial to meeting these needs. Given that there are only 18% of these needs being met, these strategies to increase ridership need to be based on effective transit services. That is when we get back to the performance of these transit services. They must actually operate and work well in order to achieve things and to secure more funding. The average dollars are about \$83 M annually from 2008 – 2016 that would get us to a proposed build-out cost to meet full needs.

In terms of next steps, adding rural public transit services within these cities, towns and tribal reservations is part of the process. All of these partners will be involved in that process that need to be. Connecting these rural to rural and rural to urban communities is the key to this program. Defining and increasing funding to support these services is obviously the key to this process. There are potential ways in which to talk about private assistance as well to support some of these outside of this funding pot of money. Discussing these rules within the various entities to get this to work is one of the key elements of success.

***ITEM 2** ADOT's Prospects to Develop Public/Private Partnerships for Commercial Safety Roadside Rest Areas. Gail Lewis. Sam Elters.

Sam Elters says that in the fall of last year, to undertake a project of advancing two locations to be considered for commercial utilization of rest areas, David Dornbush was hired. David made a

presentation in the early part of the year. He was scheduled to appear before the Board in March but the agenda was changed and canceled him. This time David had a conflict and could not make it. The information regarding the progress that has been made has been obtained. We will share it with you and continue to build on the plan. By September this study will be concluded understanding that the legislative session is still underway. We will know what legislation, if any, we will get out of it. We expect to have David back in August. We will have known again what the legislative session produced. We will have taken whatever work is done up to this point and then integrate it into the law and then present to you with the understanding that we need to conclude this in September. With that in mind, Gail will go over the detail of the progress that has been made to date. You will have the opportunity to see what has been done and what will be done between now and then. Gail will also update on the status of the legislation. All reference in the Federal aid and Federal regulation is referenced to Safety Rest areas so that is what is in the body of the document.

Gail Lewis – Safety rest areas are what they have been referred to internally within ADOT because their primary purpose is to give people respite and to improve driver alertness and driver safety. That is the official title. Apologies on behalf of David Dornbush that he was not able to coincide with the scheduling. He has been working and will try to give an update.

Background as this has not been discussed for a few months. Federal legislation does prohibit the privatization of rest areas along Interstate Highways that are in the public right-of-way. That left us with the issue of how to come up with a way that privatization might be viable without being in violation of Federal law. There are also restrictions on Interstate Highways, on Federal Aid Highways or on Highways that are Indian lands. Right now State law does not allow ADOT to privatize rest areas that are along State Highways. We were in a situation now where there were not many options for us to even consider privatization. However, in some of the preliminary research that was done by staff on this issue, at the request of the Board, it did look like there might be an opportunity to look into the market viability of a private partner along with changing State legislation to help make that a possibility. In the initial review, staff came up with two possible rest areas which are the proposed Juniper Mountain rest area on I-40 near Kingman on the Yavapai/Mohave County border and at Vekol Wash which is on I-8 west of Gila Bend. Those were the two areas that were identified by staff. Because that is as far as we could go with our knowledge and expertise, we retained David Dornbush and Associates to do a more in-depth review of whether or not privatization might be viable. We are here to give the preliminary report of the work that he has been able to conduct and to tell you where he is headed for the next few months.

First, there was a memo from the Attorney General's Office that gave us a review of State and Federal law which told us freely in no uncertain terms that privatization at this point was not viable. Mr. Dornbush who has worked on rest areas around the country took a look at the Attorney General's memo, made some responses, provided some input from what has gone on in other states and provided some input back to the Attorney General's Office. They are in the process now of going back and forth to come up with a solid and final legal analysis.

At the same time, Mr. Dornbush was able to take a look at our two proposed areas, Juniper Mountain and Beekel Wash. What he has done to date is to research the current status and characteristics of the land in that area, the land value, the available parcel sizes, the owner ship and classification, the underlying zoning, the availability of utilities in the area and the accessibility and visibility of area sites from the highway. Obviously the last one is quite important. In addition, he has taken a look at what is available in both areas currently, what is on the market now, truck stops, gas stations and convenience stores, lodging and restaurants to try to give us an inventory of existing facilities in both of those areas.

As step three, he started to dig into a little more detail in Juniper Mountain which is on I-40 on the Yavapai/Mohave County line. He performed a site visit to the area and met with various officials in Mohave County and Kingman at that time. Kingman is really the commercial center that drives that area, even though the site technically is just across the line in Yavapai County. He will be back for his second round to interview Yavapai County officials. So far he has met with the planning department for Mohave County and for the City of Kingman with the Mohave County Community and Economic Development Department, with the Chamber of Commerce, with a number of realtors in the area and then with the Highway Patrol and DPS.

In addition, he looked at a whole series of all the interchanges on either side for several miles of the vicinity that we are looking at. He looked at topography, accessibility, accessibility of utilities, and visibility along the highway. He has also, as part of his inventory of the competitors in those two areas, taken a look at the existing acreages to begin to get an idea of how much land we might need to have a viable facility. He has also looked at historic, current and projected traffic count data to get an assessment of what percentage of drivers actually stop and use these facilities. That will help him come up with some numbers in terms of financial viability.

The next step was to take a look at the financial feasibility of doing this at all. That has meant collecting data to look at the financial and business proposition that might be available for doing a private rest area. He has contacted toll road authorities in other states. He has looked at travel plazas around the country and other rest stops at similar sites around the country. He looked at restaurant sales, fuel sales, how fuel sales are changing with the price of gas, store sales, percentage of traffic that actually stops, all of those kinds of statistics to try to build a proforma for what might be successful in Arizona.

In addition, he met with the State Land Department. As you well know, State Lands are quite a different animal in Arizona. There is nothing similar to the State Land Trust in many other states. Because some of the sites, especially along I-40 would involve State Land, he felt it was important to get a handle on that. There is nothing in current State law that would prevent the use of State Land for a facility such as this; however, as any of you who have tried to deal with State Land issues know, there are a number of other issues such as waiting for the auction, no assurance that you would be the sole bidder, the timing of a proposed land sale. That does not make State Land easy to work with, but it does mean that there is nothing in the underlying law that would prevent public/private rest area from going forward. There is also no prevention from doing a long-term lease either. You just have to make sure that State Land is willing and interested in doing a lease as opposed to an auction and that they can make the case that it is a

viable financial alternative that meets their fiduciary responsibility to the Trust. They primarily do long-term leases for commercial. It is not impossible by any stretch.

The next steps that will be done over the course of the summer, first is the continued input from the Attorney General's Office regarding the development of new legislation that might be proposed for public/private partnerships or rest areas. Mr. Dornbush will continue to collect and analyze data on financial feasibility including the development of private partner operating and maintenance cost, basically developing a financial proforma. He will develop the financial model to assess the financial feasibility of various types of partnership scenarios so that he can make recommendations on those that might work the best, to complete the detailed review of Juniper Mountain and go through the same exercise at Beekel Wash, to conduct stakeholder interviews to find out what groups might be opposed to privatization, and then to provide us with a strategy to deal with groups that might be in opposition and how to gain the most amount of support if indeed we were decide to go ahead. As Sam mentioned earlier, we expect that he will be done with that review in September and will have a final recommendation back to us. We are suggesting now that he come back with preliminary findings in August so that the Board will have a chance to hear where he is headed with the recommendations. You would have a chance to ask any additional questions so that your questions could be addressed in his final report.

This timing works well for the last thing which is the legislative update. There is now one bill that specifically addresses rest area privatization. It is Senate Bill 1466 sponsored by Senator Gould. It is a very short bill of about three lines. It basically says that ADOT has the right to enter into a business agreement to privatize rest areas as not appropriated by Federal law. That is about all it says. Hard to believe that on a three line bill there could be an amendment but there was. It passed out of the Senate, went to the House and the House amended it so that vendors would not be required to charge for the use of lavatories. They wanted to make sure that there were free toilets. The bill right now is awaiting conference committee. We will see what happens. I do not think any one is opposed to pay toilets. As long as it does not get caught up in the politics with another bill, my guess is that the conference committee will happen and that it will go through.

Mr. Dornbush has had the opportunity to look at it this bill. He does know the three lines that are under review and it is unclear now whether that is adequate wording or whether it could be challenged. The Attorney General's Office is taking a look at that as well and trying to integrate what they know with what Mr. Dornbush knows with what is in the legislation.

When Mr. Dornbush is done with his report, we expect to have a recommendation about whether this is viable or not viable and then the parameters of the property that we would need to work with, acreage, utilities, size, what the parameters of the property would be and the inventory of what is close by so that the information could be available to the department and to any potential bidders on public/private rest areas.

New Speaker has concern about the legislative wording. He is concerned that the bill did not really define what we are trying to accomplish. Vague wording in our favor is fine, but not vague in their favor. He would ask that the consultant review that bill and make sure that we are not caught with a bill that does not do anything for us.

Sam Elters says that they have forwarded the language to Mr. Dornbush to review it. There is not a whole lot there. When we started this effort, we proceeded with two concepts. One is that there was going to be legislation introduced regarding the public/private partnerships that we felt may give us the framework that we needed to proceed with the understanding that if it was not broad enough or specific enough by the time we wrapped up this effort in September, we would know specifically what is needed and then we would set out in the next legislative session with specific effort targeted exactly to give us what is needed to proceed with the effort that is under way. This in a way is further ahead than where we thought we would be because it is a bill specifically for rest area commercialization. The question remains, what will the specific language be if the bill gets approved and becomes law, and will it give us what we need to achieve what we set out to do?

Chairman Si Schorr – The Senate Bill 1466 is not the bill that ADOT asked to be presented to cure this problem or to work towards this problem. It was a bill that was introduced without consultation with ADOT or staff.

Victor Mendez – The bill at last writing basically says that you can privatize rest areas outside of the Federal requirements. Obviously we cannot preempt Federal requirements.

Chairman Si Schorr – It remains for the Attorney General to rule on it. Sometimes the best legislation is the simple three lines. Perhaps this could be at least a first step. I do not see it harming what we are seeking to do.

Bill Feldmeier – By way of a litmus test, the legislative council looked at this and gave it the okay. So then we involve the AG office to give it a second look to say that this gets us where we want to be.

Gail Lewis – The Attorney General's Office has looked at the language as well. As you know, our attorneys tend to be very conservative about what the agency can and cannot do. The general rule of thumb is that unless it expressly says in State law that we can do something, the usual assumption is that we cannot. There is nothing in State law that says you cannot do a rest area, but there is nothing in State law that says you can, so the general assumption is that we need express permission. This does give express permission. Whether it is sufficient to undertake the kind of potentially complicated business deal that we might have to undertake, I am unclear about that at this point. I think the attorneys are unclear about that as well, but it is certainly more authority than we have right now.

Victor Mendez – As a backup plan, in the Transportation Initiative with TIME Initiative, there is substantial language there that gives ADOT the authority for public/private partnerships. It is broad in nature. It is a backup that we can fall back on. It basically says it is for transportation.

Chairman Si Schorr – I take it that our consultant has been made aware of what we are doing on the TIME Initiative.

Victor Mendez – The TIME Initiative clearly is not going to change any more. The way we made input into the initiative, we wanted to make it broad to allow for public/private partnerships for anything now and in the future.

Chairman Si Schorr – Simply make sure that the consultant has the TIME Initiative and help him along by giving him the specific references to such sections that would help validate this approach.

Gail Lewis is fairly certain but will make absolutely sure that he does. There have also been a number of other public/private partnerships bills that have surfaced and waned as the initiative process made its way through, so it has been a confusing environment in the legislature for PPPs this session.

***ITEM 3: Statewide Access Management Program. Sam Elters.**

The Board and the Department have been thinking and planning Access Management for many years. In 2004 – 2005 we conducted a number of studies around the state on various corridors, completed those studies, took them to local government both cities and counties which adopted those studies in the way of Access Management. When we took it to the Board to ask that the Board adopt it, the Board asked questions and decided that we should take a statewide approach to this. We were directed at that time, in late 2005 early 2006, to move ahead in that direction and to prepare a complete statewide Access Management Study that establishes classifications and tells not only the Department staff but developers and everyone else interested in access what is needed before they invest into their projects. With that in mind, we did hire URS to complete the study. It is now complete. The framework is really in draft final stage. What we would like to do today is to present to you what we have done to this point, allow for dialogue and opportunity to answer any questions you may have, and then move ahead from here with an understanding that we would like the Board to bless this at some point. Not today, today is just as a study session. We have taken the approach also that we will need rule-making at some point for this to ensure that it has the stature and the teeth to be implemented as we go along.

It is really a simple concept. All of this is intended to preserve this tremendous transportation asset that we have in the states. While safety is critical and flow of traffic is essential to this and is a benefit, it is mainly to preserve this tremendous asset that we have. There are plenty of examples where that asset has not been preserved and the consequences are very costly. I will ask Rick Ens Dorf to go through the presentation. Without having the plan in front of us and it is difficult to follow technical matters of this kind without having the plan, Rick will highlight the parts of the plan and then give the plan to the Board so that it can be studied.

Rick Ens Dorf – We are at the point of developing this program and to move to implementation. Lots of detail and hard work have gone into this over the last couple of years by ADOT staff members, local agencies, councils of government, development community. It has been a significant outreach effort. The policy directive identified a classification system, standards and design requirements, creating a manual, a document that everyone involved in Access Management can use, and the ramifications. All of this effort has taken into consideration how a program like this would impact all the users, from the ADOT permit staff to the developer

The economic side of this. There are a number of things that come into play. Preserving the infrastructure investment is a critical element. More efficient freight movement. The State highway system is moving efficiently so freight can move efficiently. Access points become a critical part of that.

The outreach part of this has been ongoing and extensive. It has included the development community. We have had a number of meetings with different levels of development and folks who work with them, councils of governments, MPOs, local entities. We have briefed some city councils. We have worked with all of ADOT districts extensively numerous times, a number of headquarter divisions at ADOT. It has been a significant effort and many have been involved in it.

The classification system, all 6,600 centerline miles of State highway. We have identified a classification, an access classification for each of those. That classification defines what kind of access ADOT expects for that roadway now and into the future. We did that using ADOT's video log. We looked at each piece of those roadways. We worked with the local districts and their staff. They looked through that and gave us their feedback. Did it make sense where these classification changes would happen? By working through that we came up with a classification system. There is a freeway system, major regional just below the freeway system which is critical, a rural section and an urban section. These two are differentiated by land use. This program is one that ties land use and transportation together on an everyday basis. The decisions for access are a combination of land use and transportation making those two work together. When we say rural here, those are non-urban areas on the state highway system and urban would be those areas that are within an urban boundary and have a land use plan associated with them. There are many different maps. We break it down into ways that agencies and private folks can look and find this information. More refinement would be an itemized listing of all of these classifications.

Standards have been a critical part of this process. For each of those classifications, be it the freeway, major regional and on, there is a detailed set of design criteria that go with those classifications so that there will be specific guidance on those classifications. Things like warrants for left and right turn lanes, the length of those, the speed turns, all of those things that go with making the correct decisions on left and right turn lanes. Warrants for future function of those, performance goals on how a roadway would work, when to allow or deny access points. If there is alternative access in the state highway, we want to make sure that is incorporated into the site plan. Uniform spacing between intersections, especially signaled intersections, the spacing of how those work; that has a major influence on roadways. Other driveway spacings, both on the site side but maybe on the other side of the street and how they line up. That has a big impact on the function of a roadway. Median openings are another important element. We have been working with ADOT design staff and connecting with the existing design guidelines that ADOT used, the roadway design guidelines, PGP, program guidance and policies that the state traffic engineers used, material specifications. We need to connect all of those so that they all work together and are not confusing each other. We are just now completing that. It is one of the last big hurdles from a technical side. That is now being reviewed by all of the districts. We have just gotten their feedback on that piece of it.

thinking about purchasing a piece of property. All of this has been tied together in that whole process.

The vision statement has been an important premise to move through this from the very early stages. It was developed by the technical advisory committee that was formed which included ADOT staff members both at headquarters, district engineers like John Harper, council of government representation, county, city, federal agencies, State Land department. That vision statement came from that group. When we first started this we enlisted folks across the state, ADOT staff to find out what was important in this program.

Consistency. A consistent program that access decisions in Yuma, Holbrook or wherever were consistent.

A flexible process. Flexible not necessarily in outcome but flexible. There are different ways to get to these answers that are sometimes very challenging in development proposals. There is some flexibility. There are some tools that folks can use in different places to get to that consistent outcome.

Partnership. Partnership is about two critical things coming together – ADOT's responsibility for the roadways and local land use decisions. Those two have to work in partnership. That has been an important premise of this effort from the beginning.

And balance. Balancing that local planning effort and economic development with the needs of ADOT to provide a safe and efficient roadway now and into the future. That has been a driving force in developing the program.

The program direction is a decision making system that determines if access should be allowed. A decision making system that determines where access would be allowed. The question constantly comes up about what the rights are. In working with the AG's office, if a state roadway effort property cannot get access to any other roadway, and they do not have reasonable alternative access, then ADOT needs to work with that property owner for access. Within this program, that is accommodated and we want to make that as safe as possible and located in the right place. It looks at best location and determines best location for access, the type of access, the number of access points. It determines the design of access points, another important issue. All of this is within the context of existing and future function of that roadway and what is happening with the adjacent land use now and into the future. All of those things are tied together.

Why Access Management? Safety. The more access points, the more crashes. If you manage those access points, you create a safer environment on that roadway. Mobility. Having dealt with Access Management for a long time, 15 – 20 years ago, Access Management programs focused on that mobility issue, which was congestion management, to make our roads work as efficiently as possible. It is still a critical issue.

Another part of what you wanted was a manual. We went to emphasize the more electronic opportunities now that are available than just the hard copy. There can be a hard copy, but we think the way this will be used by the development community is that they want this information as far upstream in their process as possible. They want to know what ADOT expects for that roadway. We want them to be able to go to this website, the ability to go in and look up what ADOT expect for that roadway. So much so that when a developer is even thinking about purchasing a piece of property they have all the information. They know what ADOT expects. They are not purchasing the property, investing in it and then finding out they cannot quite get where they wanted to be. We have heard that around the state a number of times. That creates a lot of conflict. The more information up front the better. We want an electronic version of this manual to be available. The connection within other design elements within ADOT is critical. We have been working very hard with ADOT staff to make those connections. None of the standards would be below AASHTO or current ADOT standards, another critical element that we are working through. There are some cases that ADOT is looking to enhance some of those standards. They are supported by research from TRB and AASHTO to build on that work.

The Access Management manual would contain regulatory detail necessary for all Access decisions, be it developer, local agencies, or ADOT staff, it would be available for them to use. It will show how to use the manual and to reference the roadway design guidelines and other elements that ADOT has. We are connecting all those dots. It will show how to use the program, who makes decisions, who is responsible for what and what the expectations are in the program. Anyone using it knows where they fit in the process and we can get consistent good Access decisions now and into the future. The decision process will go through how to get those decisions clearly understood by all involved.

Operation and procedures, we are just finishing that up and it will be reviewed. How the program will work will be reviewed in June with ADOT. The rule-making is a process. There is obviously an official process to start that. We think with the Board approval, sometime after June we can start that process and move into that effort and program implementation statewide. We get phone calls all the time now asking if it is ready. We have created a lot if interest so we need to get it out there. Implementation in the latter part of 2008.

***ITEM 4: Review of Board Retreat – Gail Lewis**

This is a review of the Board Retreat that was held in late January in Phoenix where we were able to go through a number of issues more in depth than we get to do in a normal Board meeting. We promised that we would try to make some sense of those wide-ranging discussions and come back to you with some suggestions about how we might work together with the Board to keep you all informed on what is going on in some of the bigger issues and keep you engaged in the strategic reviews that we undergo. Also to get your input, advice and direction with some of the bigger issues that are facing the Agency.

The first slide is a review of the Agenda Items that we discussed at the Board Retreat. It was very detailed. We came up with the following issues that stuck out with the Board members as those that you wanted to keep close track on going forward.

Funding options, funding for the Agency or lack thereof and what the options might be for the future. Statewide Planning especially with respect to the need for more multimodal planning and the pressure that is being put on the Agency for more mass transit and mass transportation. The statutory authority for the Agency, the statutes that govern us are appropriate for what we need to do and be today. Environmental issues, climate change, the environmental processes that we have to go through and how we can streamline the processes without giving up on the stringency and how we can address the issues of climate change which are putting pressure on all of those in the public and private sector today. Ports of Entry, land border ports, something that is a Federal responsibility, but we partner with them in what goes on in the Federal level and the border ports of entry can have a real impact on us. Finally Best Practice, how we can be more aware of and engaged in Best Practice issues around the country.

With funding, there was probably nothing in the presentation that surprised you. There is a list of possible solutions that might help us address the funding shortages that we face. Marty from TIME Coalition gave a presentation. Now that initiative has become reality and has been filed. Part of how we approach these issues going forward has something to do with what happens in November. PPPs, whether they come through the passage of the initiative by the voters or whether they come legislatively down the road. Management, construction and materials innovations, how we can promote those innovations to help keep costs down and keep efficiency high in both construction and maintenance. Then partnerships with the private sector, with local communities, with COGs and MPOs to try to share funding on high priority issues.

Statewide Planning. We will be behind the curve in terms of statewide planning if we cannot add staff, upgrade some of our technology and modeling capabilities, and respond to the multimodal challenge that has been put before us. An approach to keep on top of this going forward might be working with our new Planning Director Rakesh in his organization changes for his division, discussion of how we partner with our regional planning entities, the COGs and MPOs that are our planning partners, and reviewed of some planning practices in other states that might help us improve the way we plan going forward.

Statutory changes. We would suggest a review of our statutes during the slow time of the summer, although the way the legislature looks right now, summer may not start until July 1 or so. That may make summer a little shorter than it has in the past. We would suggest a review of our statute over the summer and then suggestions for changes both short-term and long-term.

In terms of environmental issues and policies as mentioned before, the real challenge is streamlining those requirements without lessening the stringency and the responsibility we have to be careful stewards of our natural resource. Also addressing the issues of climate change. During the time of the Federal reauthorization of the Transportation Act might be a good time to talk about streamlining issues as that is likely to come up as part of the reauthorization discussion. The reauthorization technically would come next year. It could be carried over and not addressed until 2010. That discussion is coming forward quickly. Then a regular overview of climate change issues, how those are being responded to by the Governor and other agencies in State government and how other states are responding.

Ports of Entry. A regular reviewed of ports of entry issues and also of other policy issues that impact ports of entry such as immigration, immigration reform, homeland security, actions along the border, what is going on in the Mexican and Canadian economies might help us get a better handle on what our needs are at the border and help us to be more responsive.

Finally is Best Practices. What is state of the art around the country? This is an overlap of the other issues, how we can integrate Best Practice findings and practices into the other issues, strategic issues that we are looking at.

The next steps are up to you. We talked about the idea of regular policy and strategy updates, how often you wanted to do those. Those could be done as part of a study session or set aside a separate time for more in depth review of issues. There could be an issue selected now or within the next few months for more intensive review. Certainly we can go ahead with the statutory overview as a first step if that is something that the Board would be interested. We could bring that back in the fall, a review of the statutory authority and whether there are changes to be made. The statewide planning with the framework issues and the changes that Rakesh is making in his division is probably also a topic that we could discuss any time and get into some meaty details. The TIME Coalition in November will tell us a lot more.

The statutes I am referring to are the enabling statutes as an Agency. We have found for example the public/private partnerships, the privatization of the rest areas. We come up regularly with things that we do not have the statutory authority to do and now find that we need to.

Chairman Si Schorr comments that a total review of all the statutes would be huge. It would be better to review the ones that need to be updated. For example the one relating to public/private partnerships which are being dealt with in the initiative, those pertaining to rest stops. Since our retreat we have had new issues that have become even more focused. One of them is fuel efficiency. What can we do as an Agency to help fuel efficiency? What can we do to ensure greater fairness of distribution of obligation? For example, the way we exact vehicle license fees does not seem to have any relationship to the burden of the vehicle on the road. Not trucks, that is another issue entirely. When I first got a car, I paid for a license based upon the impact of the car upon the highway. It was based upon weight primarily and based on size also. Today we do not have that. If we are looking for fuel efficiency, we are encouraging the antithesis of fuel efficiency by having a tax structure which does not grade the cost upon the vehicles which are impacting the system more than others. If we are going to review statutes, I would suggest that we review those that we know are problems, or those which we know there is a hiatus on that should be addressed. Procedurally we should set another study session. We will be burdened with lots of meetings in June, and July is certainly not a good time to have meetings nor is August. We should look towards September or October to have a study session dealing with a follow up to all of the issues that Gail has raised, and particularly looking at statutory corrections. September would be a good time because with the legislature getting ready to gear up, that would be the best time to look at this.

Victor Mendez – The Blue Ribbon Committee found out two days ago that there is a short report out there with an inch worth of attachments to it. One of their recommendations is that they would like to review the responsibilities of ADOT. Anticipating where they are going, as a Board it would be good to begin to identify what the high level roles of ADOT in transportation are. Speculation is that some legislators do not believe that ADOT should be involved in rail, public transportation and so on. In anticipation of that, rather than dig into individual statutes, the Board begins by establishing at a high level what ADOT should be engaged in with transportation. We will be facing that question come next session. That would be a good way to approach it, at a broad level and then go into the statute approach.

Bill Feldmeier – It was mentioned earlier in the other presentation that AG's office has traditionally taken the opinion that unless ADOT is specifically been given the authority to do something than they say no. Is that a policy that they have developed over a period of time that is particular to ADOT or universally that applies to other agencies?

Gail Lewis – That seems to be the point of view of public lawyers generally in other agencies that I have worked in and with and in the cities as well. They are generally quite conservative about what your authority as a public entity is or as a public agency is.

Bill Feldmeier – You think that is traditional based on whoever may be the Attorney General. That tells me that we need to review that issue there to change that kind of authority.

Chairman Si Schorr recommends Victor's approach. That would be the principle study to do in September or October.

Gail Lewis – Generally the public sector attorneys feel that one of their primary responsibilities to their clients is to keep them out of trouble and out of lawsuits. If you allow an agency to engage in activities for which they do not have strict authority to do, that is a good way to guarantee that your agency will end up in court.

Chairman Si Schorr – That asks, does a State agency have any implied powers? The general rule is that you do have to have specific authority for an agency to have powers. Very often the argument is that there is no express authority but implied or apparent authority. The AGs office has been ruling that there is generally no implied or apparent authority and the only authorities are those with express. It sounds like a straightforward ruling. I would suggest to move this along is that we have at our next meeting a proposed agenda for a study session in the fall which would address the issues that have been raised by both Victor Mendez and Victor Flores. We can have an agreed upon agenda for what we will talk about in the fall.

New Speaker – I would specifically like to have the AG explain to me why we do not have these specific authorities. Attorneys found ways to get things done for us that we needed to do. If they couldn't, then we went to the legislature to get them changed. These were county attorneys. They were certainly sympathetic. If it said specifically that you cannot do this, then you cannot do it. We developed a plan through the legislature in the next session to change those things. But where

it did not say we could not do them, it was their job to find us ways to make sure that we could do it correctly.

***ITEM 5: Bonding Briefing -- John McGee**

The presentation today is broken into two pieces. The first piece is about how the bonding process works within ADOT. The second piece is meant to address some fairly recent issues that we have talked about in bits and pieces. We sent out a memo on an issue that Chairman Schorr asked us to address. We will be looking at briefly five relatively recent issues that have impacted our bonding program, those being municipal debt, credit ratings, bond insurance, variable auction rate debt and the liquidity crisis.

The first sheet goes through the typical timetable for a bond issue, who the participants are, those areas that the Board gets directly involved with in terms of approving resolutions, underwriters, etc. The other participants are selected through a procurement process outside of ADOT. It is on a statewide basis. There are pools of financial advisors and bond council. Within the direction to proceed, we state who we recommend to be the bond council and the financial advisor for that particular deal. The Board is involved in that. In the past we have had Board participation on the committees that go through the evaluation process of those pools that are formed during the procurement process.

Overall when we do a bond issues from start to finish it takes about 3 – 4 months. There are two types of bonds. These are paid for with direct debt. The most common one is general obligation bonds. In the State of Arizona, general obligation bonds are allowed, but under the Constitution there can be no more than \$300,000 - \$350,000 worth of general obligation debt outstanding, so the State of Arizona does not issue general obligation debt. The other major type of debt is revenue bonds. Those are the types of bonds that the Board issues. There are three different types of revenue bonds. Bonds backed by the ½ cent sales tax in Maricopa County, bonds backed by the pledge of highway user revenues and bonds back by a pledge of future grants.

Any time you issue revenue debt there are certain things that go along with it. Generally you are pledging a specific tax. There are covenants that have to be met. Those are set forth in the bond resolution. There is always a covenant within legislature within statute that essentially says that the legislature will not take any actions which will limit the amount of taxes that can be collected below the level of whatever the debt service requirements are. Within those various conditions are limitations on additional bonds and normally the bond resolution will spell out whether or not you can do senior or subordinate bonds.

Tax exempt bonds, very big market, about \$430 B worth of tax exempt bonds issued annually. This means that the interest is exempt from Federal and State income tax for individuals and some corporations. There are some restrictions. Generally the bonds cannot be for private use. There are some exceptions to that, but generally they cannot be. There are certain requirements with respect to the repayment of arbitrage earnings. For quite some time, folks would go out, issue debt on a tax exempt basis, take that money and invest it in taxable investments and earn the spread and never do anything with the bonds. At some point in time they would just pay them off and it was a nice way to make money. The Federal government said they would no longer

allow that. There are rules and regulations that must be followed to make sure we do not have to rebate the money to the US Treasury. There are certain limits on advance refunds. Essentially you get one shot at doing advance refunds.

Credit ratings are a big part of any bond issuance. Credit ratings are meant to give potential investors a feel for the likelihood of timely principle and interest repayments. It is standard that the issuer pays for the rating. They also pay for the accountants that give opinions on statements and they pay for the attorneys that give opinions. It is a legal transaction. There are four major factors that go into determining the rating. The first three are financial conditions, debt factors, and the economy. These are all numbers. The one that should not be discounted out of those four ratings is management. That is the area that has the opportunity to potentially have better ratings than other entities that have all the other same numbers that you have. I will point to our ratings in particular. Anytime you read a ratings report on ADOT, we have generally higher ratings than other folks who have the same numbers. One of the differentiating things that the rating agencies talk about is the Board and how they manage the bond program and how they manage the five-year program, and how they are willing to do what needs to be done to make sure that both the bond program and the five-year program are what they need to be. That rates very highly with them and does translate into better ratings for our bonds. At tomorrow's meeting, I will be handing out copies of the ratings report that we got on the 2008A issue, HURF issues that we just did. In both of them they talk about the management being a strong component of our ratings.

Generally the State of Arizona is on top of comparable programs. For example, for our HURF bond program, for S&P, we are the only State issue of highways revenue bond debt that has an open lien. We are still issuing debt. We have not closed off the amount of debt that we are going to issue. We are the only issuer that is rated AAA by S&P. We are also rated AA1 by Moody's. As we talked to them, they said the only reason we are not rated AAA is as a matter of policy for highway revenue bonds Moody's just does not issue a AAA. They told our financial advisor if they issued a AAA, they would upgrade that rating. With respect to our GAN ratings, we were the first State to ever issue grant anticipation notes with no backup pledge other than the Federal funds themselves that received a AAA from all three credit rating agencies. There are other states that have fallen on bad times and are being very poorly rated by the investment banks and the bond raters. Many states have let their programs get away from them. About two years ago, New Jersey's equivalent of the State Highway fund was out of money. The State of Oklahoma has recently had problems along with California.

This shows how the three major rating agencies work, what their designations are delineated between investment grade, non-investment grade. Not too many municipal issuers fall into the non-investment grade category. That is generally considered junk bonds. These are our ratings, very high ratings. As you can see with S&P, our HURF bonds not only are senior rated AAA, but we recently received an upgrade from S&P so that even our support lien HURF bonds are rated AAA. The lowest rating that we have is our subordinate lien ROLF bonds which are rated AA - A, and that is because we have quite low coverages there, about 1.2 times coverage. That is not an official rating. That is what was on the first ½ cent sales tax. Under the new sales tax we have not yet received a rating for subordinate because we have not done any.

The issue of credit ratings for municipals has lately become quite an issue as a number of states, particularly lead by California are indicating that the rating agencies need to change the way that they rate municipal debt compared to corporate debt. If I was California I would probably say the same thing because California's are not good right now. They are advocating a change that the way that the rating agencies address credit ratings for two reasons. Number one, most municipalities and issuers would see their ratings improve and because of that it might allow for a broader distribution of their bonds. This is the kind of data that was developed by Moody investor service that really shows that. Moody went back and looked at default rates for the period of 1970 – 2000 for investment grade corporate bonds. There was about a 2.3% default rate during that period of time. For AAA rated corporate, there was about a 0.68% default rate. For investment grade municipal bonds excluding geo, water and sewer which are generally the most secure bonds, there was only a 0.12% default rate. When you compare one with the other, there is a huge difference. Similarly when they looked at all investment grade municipal including geo, water and sewer, there was virtually no default. In fact, on 19 out of approximately 28,000 unique issuers defaulted on their bonds from 1970 – 2000.

Moody's is looking at potentially changing their approach. They have not said that they will, but they are looking at the potential of doing that. There is a chart that they have developed. Let's say there is a State that is rated BAA1 which is a pretty low rating, about the lowest investment grade category and you issue a state geo debt. Under the plan that Moody's is looking at, instead of being rated a BAA1, you would be rated AA1 which is only one step below a AAA. Depending upon the type of debt you issue, this is a more risky type debt. This is what California in particular is advocating for because they have relatively lower credit ratings than we do. LGD stands for loss given default. In other words, that is their estimate of potential losses if there is a default. This is very low.

Bond insurance is what the name implies. It is a product that you purchase that guarantees that if you do not make your debt service payments, the insurance company will make it for you. The way it works is that you pay a one-time premium, usually between 1/10 of 1% and 4/10 of 1%. That in effect raises you rating to the rating of the insurer. All of the insurers at least until recently were rated AAA by all three. There are circumstances where entities will buy your bonds in the secondary market and insure them. We do not pay for that if they do that. That is a business decision on their part. You get a quote on how much it will cost to get insurance to get their AAA rating. You then look at how much you believe you will save by having that AAA rating instead of whatever your underlying rating is. If the savings is greater than the cost of the premium you insure, and if it is less than you do not. Bond insurance used to be a very lucrative business. However, unfortunately, several years ago bond insurers began insuring things other than municipal debt. They got into insuring collateralized debt obligations, mortgage securities. Those mortgage securities then got downgraded and because of that the rating agencies said that they had to make higher levels of capital to maintain their AAA. I found that interesting since it was the rating agencies that originally rated these securities AAA and then came back and changed it. The insurers have responded by leading to varying levels of rating downgrades.

The next chart shows that there used to be seven AAA, AAA, AAA rated bond insurers out there. Today there are two left. The only reason those two are still rated AAA is because they did not

insure these securities. They stayed away from them and maintained their AAA. The other five that all got into insuring those collateralized debt obligations and mortgage securities have all been downgraded to one degree or another. It has messed up the entire market.

There was a spillover from that. As these mortgage obligations were downgraded, folks who held them primarily banks, started to try to figure out what they were really worth, and because they were such complex securities, nobody could figure out what they were worth. That led to a virtual collapse of the market for these. They used to trade very freely, and now they hardly trade at all. There is an estimate that there is somewhere near \$1 T of these securities floating out there. Once people quit buying these, the banks have started marking them down on their books and taking losses on them. Citigroup for instance has written off over \$40 B of these. That spilled over into the variable auction rate market. That is debt that is issued long-term and sold on a short-term basis. That allows issuers to generally enjoy a somewhat lower interest rate than if they issue long-term fixed rate debt as we do. The problem is that because it is short-term, it has to be repriced every 7 – 35 days. Once the banks started having to write down their investments in these securities, all of the sudden they started tightening up their standards and they stopped backstopping the purchases of these option rate securities. That was about a \$350 B market that suddenly dried up.

That then lead to what is known as the liquidity crisis. As a result of all of these conditions, there was a perception that many of the large banking firms did not have enough liquidity to handle all of their obligations. This perception in the case of Behr Sterns led to a literal run on the bank had it not been for the intervention of the Federal Reserve arranging a marriage with JP Morgan which required Behr Sterns to file bankruptcy. There was about two weeks in the middle of March where people who are very involved in the banking and financial markets were pretty nervous. It looked like there was the possibility of the entire financial market melting down.

So far there have been no direct impacts. The Board has insured very little of its outstanding debt. We have two issues that are insured. The way that the insurance works, even if the insurance carrier goes out of business, it does not impact our bonds, costs, or anything else. And the Board has never issues any variable auction rate debts. That is not an issue for us. There have been some indirect impacts however. The increased supply of new bond issues resulting from folks getting out of these variable rate debts has impacted the amount of supply of new bonds in the market and that has lead to some run up in rates. Those higher rates coupled with lighter revenue collections have lead to a short-term reduction in the Board's bonding capacity. However, at this point we do not believe that it will have a significant impact on the Board's program unless it gets worse.

A year ago, HURF capacity, we were expecting for FY 2009 starting in July that HURF would bring in about \$1.533 B. Based upon our share of that \$1.533 B and assuming we could borrow at 4.5%, on a calculated basis, we would have about \$1.1 B worth of theoretical capacity. Instead of having \$1.533 B of HURF collections in 2009, it looks like we will have something closer to about \$1.4 B. Interest rates have gone up. If we were borrowing today at about 5% instead of 4.5% which is about where we would be, our capacity is more like about \$600 M. We probably lost short-term about \$5 M worth of capacity. That will come back over time as our revenues go

up and as interest rates come down. In the short-term, that has been the impact. Essentially the additional \$500 M that we thought we would have when the bond maturities got extended after 30 years has dried up for the present.

***ITEM 6 Discussion of 5-year Plan – Victor Mendez and Don Mauller**

Victor Mendez – What this item was intended to cover is the issue that Mr. Feldmeier raised at the last Board meeting. It started off through our tentative program. It is ADOT staff recommendation to the Board with regard to the new program. We have traditionally briefed the Board one on one before we released our recommendation to the Board in January/February. During that discussion with Mr. Feldmeier, we only received two inquiries from the Board. One had to do with US 93 and the other was an inquiry from Mr. Schorr on a TI on I-19 at Sahuarita. Don Mauller will help to outline what we did with those inquiries. This is our recommendation to the Board. The dilemma is, at what point does our recommendation the Board become public vs. how does the Board influence that recommendation? Traditionally the process has been as described above. We brief you on it one on one. Then through the public hearings that you have, you then come back and address the public input, your input and then in June we give you our final recommendation. It is a recommendation based on everything we hear. Ultimately it is up to you to make the final approval. You can modify our recommendation. You can modify the public input and ultimately in June you make the final call. We will address those two items to let you know how they will be addressed or at least what our recommendation to you has been to this point. You have the final call.

Don Mauller discusses US 93. The issue is to pull the US 93 Carrow to Stephens project and program the SR 89A Viewpoint traffic interchange in the Prescott Valley area and look at other projects around the State where we could spread the money some.

The second issue was the I-19 Sahuarita Road TI. I confirmed it with Greg Gish, the district engineer. That will be programmed in an earlier year as there are some existing funds that they have available for that.

Victor Mendez says that ADOT's recommendation to the Board on US 93 is that it be retained on US 93. The reason is that we are closing the gap on the widening that we have been doing for a decade now south of I-40 into the Wikieup area. Our recommendation is that it is a safety issue and is a higher priority than the Viewpoint. As far as spreading the funding out, it is really a matter of lack of funding. This pool of money is for the major projects and the \$82 M that is available for FY 2013.

Bill Feldmeier – When he first brought forward this discussion, first in Prescott and then again at the first public hearing in Tucson, there was not a discussion about the Viewpoint. That is separate from Carrow Springs. His point with that Mojave County US 93 was that there were nine other counties in the state that received zero funding for projects. His understanding was that the staff was going to go back and have discussions with the district engineers in those particular counties that they represent to find out what potential projects that the roughly \$30 M might be used for other than Carrow Springs. The Viewpoint Bridge was brought forward because the MPO wants to partnership with ADOT on that. As part of a partnership role that any

local government has had as it relates to ADOT projects wherever they are in the State, they receive a higher priority. He does not want to bring them together. He does not want any one to leave here with that idea. It is important that we utilize if at all possible, other projects in other counties rather than that one particular project. Independent of that, the other part is that we at ADOT reward communities when they partnership with ADOT. That is what the MPO is bringing forward. It elevates it the same way that Yuma County, other counties and other municipalities have done. When they want their projects done quicker, they bring their money to the table. If that is not done, what is the point of contributing into a partnership with ADOT? Does the Board need to go to the district engineers and ask what projects they brought forward to the staff? Is the Board the one that makes that determination?

Victor Mendez – It was not his understanding that ADOT would go to all the district engineers. There are high priority projects, and US 93 has been one of those for many years. What he is suggesting is through the Board process, ADOT will go back to the districts. What you are suggesting is primarily in the counties that had no major improvement. ADOT will come back and outline for the Board what we found. It does not mean that we will change our recommendation to you. If you the Board, once you have all the information in front of you chooses to differ with staff, that is your call. We will come back to you with what we believe are the priorities that ought to be funded.

Chairman Si Schorr summarizes Mr. Feldmeier's comment. What alternative projects could be suggested within those areas which are not getting any funds at all and take the funds that would be available from the US 93 project and distribute them to other areas.

Bill Feldmeier – That does not mean that we have nine counties with no money now for major projects and that the \$30 M divided nine times. He suggests that if there is a major project within one of those counties that is important, we should look at that too. Consider the alternatives.

Victor Mendez – ADOT is only talking about the major projects funding, the \$82 M. The other thing that we did look at is the funding for the subprograms. Because the subprograms are not identified for the full five years, we made some projections based on past trends. Every county will get funding, it is just not major project funding. We will provide that information to you also before the June meeting.

New Speaker – Questions how these projects are rated. If there is a team of district engineers that are involved in the process throughout the district, and those district engineers have their projects as well, are they rated accordingly and that is how they are selected? Those projects have been visited already. All of the other nine counties that were involved have had an opportunity to give their input into that, and because of the way they are rated and the weight that was given, that project was prioritized over others, is that correct?

Victor Mendez – We had a similar discussion earlier today with a particular city. Basically what I told them and what I am suggesting to the Board is that yes, we have various elements throughout ADOT, we have district engineers, planners, state engineers and such, but what we bring to you is the ADOT answer. It is a collective agency recommendation. It is not a district

engineer recommendation. It is the agency response given everything that we have heard including input from the public and the MPOs and COGs. I want to make sure that you understand that this is an agency recommendation. We took all that into account. Ultimately everyone gets together and says, we have \$82 M, how are we going to best spend that? It is the agency recommendation.

Adjourn:

The meeting adjourned at 5:15 P.M.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation

STATE TRANSPORTATION BOARD
PUBLIC HEARING AND BOARD MEETING

Friday, May 16, 2008
9:00 a.m.
East Flagstaff Community Library
3000 North 4th Street
Flagstaff, Arizona

PERFORMANCE REPORTERS, INC.
121 East Birch Avenue, Suite 501
Flagstaff, Arizona 86001
By: Michelle K. Seymour, RPR, CSR, CCR
Arizona Certified Reporter #50710

1 APPEARANCES:

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Si Schorr, Chairman

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Delbert Householder, Vice Chairman

5

John McGee, Chief Financial Officer

6

Sam Elters, State Engineer

7

Richard Travis, Deputy Director

8

Victor Flores, Board Member

9

Bob Montoya, Board Member

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Bill Feldmeier, Board Member

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Felipe Zubia, Board Member (Absent)

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Bobbie Lundstrom, Board Member (Absent)

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1 FRIDAY, MAY 16, 2008, FLAGSTAFF, ARIZONA

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3 THE CHAIRMAN: Good morning.

4 I hope you can hear me and hear the rest of
5 the other board members. There are no amplification,
6 so we'll have to do it like in the old days. If you
7 can't hear me, please raise your hand and we'll try to
8 talk up a little bit more.

9 Welcome to the meeting of the State
10 Transportation Board. We will commence our
11 proceedings by asking Mr. Montoya to lead us in the
12 Pledge of Allegiance.

13 (The Pledge of Allegiance to the flag
14 led by Bob Montoya.)

15 THE CHAIRMAN: On behalf of the Board,
16 I'd like to express our thanks for the excellent
17 program and the meeting we had last evening. You
18 folks should be very proud of the center where we met
19 last night. It's a very, very beautiful facility, and
20 something that the whole State of Arizona should be
21 very proud of.

22 I would also like to ask Supervisor Hill to
23 come forward and tell us a little bit about what's
24 happening in Flagstaff.

25 SUPERVISOR HILL: Thank you,

1 Mr. Chairman.

2 On behalf of the Flagstaff Metropolitan
3 Planning Organization, it's my pleasure to welcome all
4 of you again. Thank you for joining us last night at
5 dinner, and thank you for hosting this meeting in the
6 north country. We appreciate the opportunity to be
7 able to give input. And we also appreciate your
8 service on our behalf. I know all of you spent many,
9 many hours on the road, and in meetings, and I know
10 how grueling that is, since I do the same thing in my
11 job. So I just want to appreciate the effort that you
12 make on behalf of our citizens.

13 I'd like to just talk briefly about one of
14 the projects that the Flagstaff Metropolitan Planning
15 Organization will be bringing forward; and that is, as
16 you know, our body is a nice collaborative effort
17 between the City of Flagstaff, Coconino County, and
18 ADOT.

19 And one of the things that we did in the
20 past was that the City of Flagstaff needed
21 improvements to the East Flagstaff Interchange. And
22 if you haven't driven out there through the
23 construction zone, I encourage that. It's quite an
24 adventure. The lane closures change daily, so you
25 never quite know what you're going to get. But you

1 can see that it's going to be a massive improvement
2 when it's done. And we really appreciated that. We
3 knew the value to our community of that improvement,
4 and so Coconino County willingly displaced one of its
5 own projects, in order to provide extra funding for
6 that East Flagstaff Interchange. While our project,
7 which is an improvement to the Flagstaff Airport
8 Interchange on I-17, shortly before you get to
9 Flagstaff to the south, is coming up, and we have a
10 regional park, Fort Tuthill County Park, which will be
11 impacted by that improvement.

12 And so I just want to ask your
13 consideration -- we'll be giving you details later --
14 but, some consideration for the impacts to our park.

15 What we're going to be doing is sliding
16 Highway 89-A over into the park, in order to allow for
17 more stacking distance for traffic that occurs when we
18 have big events. And so that will, of course, take
19 some land out of the park. And we'll be coming back
20 and talk to you in detail about that later. But that
21 is one of the projects, as a collaborative body, our
22 MPO has discussed.

23 And I want to appreciate for a moment our
24 representative, Bob Montoya, who not only attends
25 every MPO meeting, and is on time, and has great

1 things to say, but also currently serves as Chair of
2 the MPO, and leads us to our discussion points in a
3 forthright manner and gets this done and out the door
4 so we can go on with the rest of our day. Bob does a
5 great amount of work representing our districts.

6 And, thank you, Bob. We appreciate you.

7 Mr. Chairman, welcome. Thank you. Have a
8 successful meeting.

9 THE CHAIRMAN: Thank you.

10 Next item is the presentation of the
11 2009-2013 ADOT tentative five-year transportation
12 facilities construction program.

13 VOICE FROM THE AUDIENCE: Can you guys
14 speak a little louder, please?

15 VOICE FROM THE AUDIENCE: I have good
16 hearing, and it's not very good.

17 THE CHAIRMAN: We'll try to do better.
18 Perhaps maybe you can turn the podium around there a
19 little bit and face it towards the audience. Right
20 behind. Yeah, like that.

21 MR. TRIPATHI: We don't have
22 audio-visual today, so there's no wires stuck, so I
23 can move this.

24 (Laughter)

25 MR. TRIPATHI: Mr. Chairman, honorable

1 members of the Board, it's truly a pleasure to present
2 the next three items on the agenda.

3 The first item, Item A, 2009-2013 Subprogram
4 Recommendation.

5 As you all know, and you have probably
6 attended a few board meetings, we are going through a
7 public hearing process. And this is the last public
8 hearing for the five-year program. And after this
9 meeting, the processes --

10 Slides.

11 The first week of June, PPAC, which is the
12 Priority Programming Committee at ADOT, and I serve as
13 a Chair of that committee, reviews the five-year
14 program; and after that, we recommend the five-year
15 program to the Board, and we request the Board to
16 take, to consider the five-year program for adoption
17 on June 20th. And that will be the meeting in
18 Nogales.

19 Next slide.

20 What we are looking at for the fifth year of
21 this program, these are the allocation. I'm not going
22 to read it out. You can read it. But one thing that
23 I would like to mention is, you see top, the 13 other
24 county and you have \$82.4 million. That is a pretty
25 telling statistic on our funding crisis.

1 In next few years, if things go the way they
2 are going, we'll have no money for any major projects
3 in this state. Which is quite a big issue that we are
4 looking at.

5 Next slide.

6 We are recommending some modest increase in
7 our statewide planning and research funding. This is
8 basically to provide adequate state match for federal
9 funds.

10 Next slide.

11 In terms of payment preservation, as you all
12 know how important that is, we are proposing to
13 increase it by \$10 million in '13.

14 Next slide.

15 As you know, communication is very
16 important. And communication is basically talking to
17 you, getting your input in what we do, telling our
18 story, listening to your story, and trying to develop
19 our five-year program, and all of our programs. And
20 this is in recognition that, yes, communication is an
21 integral part of what we do and it has to be given the
22 right kind of emphasis. So this provides that little
23 increase in budget for community partnership,
24 community communications, et cetera.

25 Next slide.

1 Now I'm going to go through, quickly, some
2 of the major projects that we are looking at in 13
3 other counties.

4 The first one is the I-17 Black Canyon, from
5 Black Canyon City to Cordes Junction. The length of
6 this project is about 20.5 miles.

7 Now, in 2007 we banked \$9.5 million for this
8 project. In 2013 we are proposing to bank \$9.4
9 million for this project.

10 This project, conservatively, would cost
11 close to half a billion dollars to construct. And we
12 have a grant total of \$19 million right now in our
13 bank towards this project. So you know it will take a
14 long time, in current scenario, to get to a point
15 where you have adequate funds to even look at this
16 project.

17 Next slide.

18 The next project is State Route 89. And you
19 can see the limits. It's widening to four lanes. In
20 2013 we are proposing \$10 million to bank for this
21 project. And '12, we have already banked \$15 million
22 for this project.

23 Next slide.

24 The next project is in Mohave County. The
25 length -- this is an interchange project in 2013. We

1 are proposing to bank \$18 million for this project.
2 The total cost for this project is going to be about
3 \$26 million.

4 If the city gets the financing agreement
5 accomplished a little earlier, there is a possibility
6 that this project could be accelerated.

7 Next.

8 The next is a small project on US 60,
9 Superior Street. Basically, it is to make this
10 portion of the shoulder four lane with center lane.
11 The existing, in that small part, is two lane with a
12 center lane.

13 Next.

14 Now, this is in Mohave County. It's US 93.
15 It is a very important project, and for many reasons.
16 This is fourth of the CANAMEX corridor, that is a
17 priority for the Governor. And this has been -- this
18 whole corridor has been talked about in this state for
19 a long time. Many resolutions have been passed in
20 support of this project, and this project will fill
21 the gap on 93, that is very vital to provide a safe
22 transportation facility there.

23 Next.

24 Again, to accomplish what we are doing, we
25 have to invest in design and studies. So these are

1 the breakup of those investments.

2 The next item that I'm going to present is
3 the PAG major project recommendation.

4 And the first project here is I-10. And I'm
5 not going to read out the limits, et cetera. In 2009,
6 \$21 million was banked for this, in 10, 14, 11, 18,
7 for a total of \$53 million. And it would need about
8 three more million dollars to fully fund this project.

9 Next slide.

10 This is, again, an interchange. It's I-10
11 from Marana interchange to Ina Road. It's about a
12 12.3-mile-long section. It will cost about
13 \$75 million, around, to implement this project. But,
14 in 2012 we banked \$4 million for this project. And in
15 '13 we are proposing a \$6 million addition to that,
16 for a grand total of \$10 million. So we only have
17 \$10 million towards a \$75 million project. Again,
18 we'll be banking this project. If the finances do not
19 improve, it will be some time before this goes to
20 letting.

21 Next project.

22 Next project, again -- I'm not going to read
23 that. It will, conservatively, cost about
24 \$200 million to do this project. In 2012 we banked
25 \$25 million for this project. In 2013 we are

1 proposing to bank \$17.8 million for this project. So
2 you know we have a tremendous road to go before we get
3 to our funding levels. So \$200 million before we can
4 start thinking about implementing.

5 The next project is I-10, Country Club Road
6 TI. And, again, the total cost of this project is
7 upwards of \$50 million. In 2012 we banked \$4 million.
8 In '13 we are proposing to bank \$10 million. So we
9 have \$14 million towards a project that will cost more
10 than \$50 million.

11 So you see a pattern going on here. We're
12 just in banking business. And that shows -- it's kind
13 of sad, our financial situation -- that we're not
14 implementing anything here. We're just banking year
15 after year. Hopefully one day we'll have enough money
16 to do something.

17 The next project is I-10 Belmont Road TI.
18 In 2012 we banked \$4 million. In 2013 we are
19 proposing to bank \$6 million. For a grand total of
20 \$10 million. And the project will take upwards of
21 \$50 million to implement. So, again, it's going to be
22 some time before this gets implemented, because we
23 don't have money.

24 The next project, I-19. In 2009 we banked
25 \$9 million for that. '11, \$29 million. And,

1 actually, I'm happy to tell you that this is close to
2 getting fully funded through this banking process.

3 There is a light at the end of the tunnel
4 when we are talking about banking. One of these days
5 they will all have banking.

6 The next project.

7 State Route 77, Tangerine Road to Pinal
8 County line. Again, this project needs about
9 \$28 million. And the banking started in 2010 with
10 \$2 million; in '12, \$10 million; 'in 13, with
11 \$12 million. We are hoping that this will accomplish
12 this project. I think now it is pretty much fully
13 funded to implement.

14 Mr. Chairman, that's what I have for Item A,
15 B and C.

16 And now I would like to ask Mr. Kang to
17 continue on Item B.

18 THE CHAIRMAN: Mr. Kang.

19 MR. KANG: Good morning, Mr. Chairman
20 and members of the Board and staff and guests.

21 My name is Kwi Kang. I'm with ADOT,
22 Regional Freeway office. This morning, I would like
23 to give you a presentation on the MAG tentative
24 five-year program.

25 Okay. I start with proposed FY 2013 project

1 in Maricopa County.

2 Next please. Next.

3 First item is on I-17, between Arizona Canal
4 and State Route 101, construction of six miles of
5 general purpose lane, for \$48 million.

6 The next item is on I-10, between Baseline
7 Road and Santan Freeway, design of six miles of
8 general purpose lane.

9 And, on I-10, at Far West at Perryville
10 Road, construction of a new traffic interchange for
11 \$8.2 million.

12 On US 60, Grand Avenue, design of roadway
13 improvements for \$8.1 million.

14 On US 60, Superstition Freeway and Meridian
15 Road, construction of a new TI for \$80 million.

16 Pima Freeway, between I-17 and Tatum
17 Boulevard, construction of six, seven miles of HOV
18 lane for \$33 million.

19 We stay on Pima Freeway, between Shane
20 Boulevard and Red Mountain Freeway, design of 11 miles
21 of general purpose lane.

22 Red Mountain, between State Route 101 and
23 Gilbert Road, design of seven miles of general purpose
24 lane.

25 On Santan Freeway, between Tolleson and

1 I-10, construction of HOV lanes. This project
2 includes HOV-to-HOV connection.

3 On South Mountain, between I-10 and 51st
4 Avenue, construction of a new freeway. We programmed
5 \$115 million for that segment.

6 State Route 801, we set aside \$10 million
7 for right-of-way purchase.

8 On State Route 303, between I-10 and Grand
9 Avenue, we programmed \$155 million for construction of
10 a new freeway.

11 And the other segment on 303, we programmed
12 \$110 million for construction of a new freeway.

13 Next five years, in Maricopa County, we
14 would have \$3.56 billion of construction, of freeway
15 construction program.

16 This concludes my presentation. And the
17 next item on the agenda is presentation on Airport
18 program.

19 THE CHAIRMAN: Thank you.

20 Before we get into that, Rakesh, could you
21 explain what portions of these funds, for example,
22 allocable to Maricopa County would come from the
23 Maricopa County half cent sales tax, if any?

24 MR. TRIPATHI: Mr. Chairman, that is a
25 little bit of a complex question, especially when you

1 are asking in terms of those -- you're talking about
2 where those 3.5 billion comes from?

3 THE CHAIRMAN: Yes.

4 MR. TRIPATHI: I would say that our
5 Chief Financial Officer would be in better shape to --

6 (Laughter)

7 MR. MCGEE: Mr. Chairman. These are
8 very rough numbers. When we finalize the financial
9 plan for the county program, we'll have more exact
10 numbers. But order of magnitude, probably about
11 2 1/2 billion will be coming from either the half cent
12 sales tax or bonds issue on the half cent sales tax.

13 THE CHAIRMAN: Thank you.

14 See, that was easy.

15 (Laughter)

16 MR. TRIPATHI: Everything he says is
17 easy.

18 (Laughter)

19 THE CHAIRMAN: Barclay?

20 MR. DICK: Thank you, Mr. Chairman,
21 members of the Board.

22 Let me introduce Mike Klein, who is far more
23 prepared for this presentation than I.

24 MR. KLEIN: I've been to I don't know
25 how many libraries in this town.

1 Mr. Chairman, members of the Board, the
2 Airport Development Program is predicated on revenues
3 that go into the State Aviation Systems Plan. In that
4 systems plan --

5 Press the right button. I did this once
6 couple of years ago, went the wrong way.

7 -- the '07 generated revenue was at a little
8 under \$23 million, and it was based upon this revenue
9 that the entire five-year program is predicated.

10 In '08 we estimated a beginning balance of
11 \$34 million. With our anticipated revenues during '08
12 of 26 million, and our anticipated expenditures
13 \$48 million, we anticipate ending fiscal year '08 or
14 beginning '09 with about \$12 million for the five-year
15 program that we're proposing.

16 In this five-year program there are 93
17 airports that have been, in one form or another,
18 requesting funding for grants, loans, pavement
19 preservation programs and the like. 66 of those
20 airports submitted 952 projects, worth about
21 \$1 1/2 billion. Those projects have to be
22 prioritized, and many of them are shared with federal
23 funding from the FAA.

24 For our programming, we took 74 projects
25 were requested for the '09 project, worth about

1 \$41 million, and put them through the Board's
2 prioritization programming. 27 were proposed to be
3 funding at \$21.6 million. This represents the first
4 year of the five-year program and state funding only.
5 We still have other funds that will be used to match
6 federal dollars and conduct the other programs within
7 the five-year program.

8 In '09 we will have \$4 1/2 million set aside
9 to match federal grants. When the FAA issues a grant
10 to one of those 60 or 70 airports, we will match 2 1/2
11 percent of that, and a sponsor will be required to
12 match the other share. This \$4 1/2 million will
13 represent about 100, \$120 million worth of federal,
14 total federal projects within the State of Arizona.
15 Our \$21.6 million in state-shared grants, because of
16 budget constraints, the Airport Payment Preservation
17 Program has been reduced to zero for this particular
18 year, until funding is restored. Airport development
19 loans are reduced to \$1 million, and the State
20 Planning Services is at \$1 million. This is for
21 systems planning projects that cover the entire state,
22 that are conducted by the Aeronautics Division.

23 Extending the '09 program over the five-year
24 period, you can see that we're fairly stable, with
25 \$4 1/2 million in federal funding, our 20, 18 to

1 \$20 million program for state loans. So we remain
2 fairly consistent over the five-year program with the
3 aviation revenue program.

4 The cash fund balance is anticipated
5 beginning at \$12 million in '09, throughout the
6 five-year period, reducing down to about 8 to
7 \$9 million program. That would be the cash balance in
8 the aviation fund. Various changes to the program can
9 affect us depending upon current legislation that has
10 yet to be resolved. We are, even in a worst-case
11 condition, we are prepared to continue this program
12 for the five-year program.

13 That is the Aeronautics' five-year
14 development program.

15 THE CHAIRMAN: Thank you.

16 (The transcript portion of the
17 meeting was concluded at 9:23 a.m.)

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SIGNATURE PAGE



Michelle K. Seymour, Court Reporter
CCR # 50710



Si Schorr, Chairman



Victor Mendez, Director

MINUTES
THE STATE TRANSPORTATION BOARD
PUBLIC HEARING AND BOARD MEETING
9:00 a.m. – 11:00 a.m., Friday, May 16, 2008
Arizona Department of Transportation
East Flagstaff Community Library
3000 N. 4th Street, Suite 5
Flagstaff, Arizona 86004

Roll call of Board members:

Si Schorr, Delbert Householder, Bill Feldmeier, Victor Flores, Bob Montoya, Felipe Zubia,
Bobbie Lundstrom – absent

ADOT staff present:

John McGee, Sam Elters, Rakesh Tripathi, Kevin Biesty, Lynn Sugiyama, Don Mauller, Barclay Dick.

Chairman Si Schorr welcomes everyone and asks Victor Montoya to lead the Pledge of Allegiance.

County Supervisor Deb Hill – On behalf of the Flagstaff Metropolitan Planning Organization, welcome everyone and thanks to the Board for hosting this meeting in the North Country. She appreciates the opportunity to give input and appreciates the Board's service on their behalf and the behalf of the citizens of this area.

The Flagstaff Metropolitan Planning Organization is a collaborative effort between the City of Flagstaff, Coconino County and ADOT. One of the things that we did in the past was that the City of Flagstaff needed improvements to the east Flagstaff interchange. You can see that it is going to be a massive improvement when it is done. We really appreciate it. We knew the value to our community of that improvement, so Coconino County willingly displaced one of its own projects in order to provide extra funding for that east Flagstaff interchange. Another upcoming project is an improvement to the Flagstaff airport interchange on I-17 shortly before you get to Flagstaff to the south. We have a regional park, Fort Tuthill County Park which will be impacted by that improvement. I want to ask your consideration for the impacts to our park, details will be given later. We will be sliding Highway 89A over into the park in order to allow for more stacking distance for traffic that occurs when we have big events. That will, of course, take some land out of the park and we will talk to you further in detail about that later. That is one of the projects that as a collaborative body our MPO has discussed. I appreciate our representative Bob Montoya who not only attends every MPO meeting, is on time, and has great things to say, but also currently serves as Chair of the MPO and leads us to our discussion points in a forthright manner. Bob does a great amount of work representing our district. Thank you.

Presentation of 2009 – 2013 Arizona Department of Transportation (ADOT) Facilities Construction Program – Rakesh Tripathi

***ITEM A FY 2009 – 2013 Subprogram Recommendation.** We are going through a public hearing process. This is the last public hearing for the 5-year program. The first week of June, PPAC, the Priority Programming Committee at ADOT for which Rakesh serves as Chair will review the 5-year program. After that the 5-year program will be recommended to the Board and will request that the Board consider the 5-year program for adoption on June 20, 2008. That will be the meeting in Nogales. For the fifth year of the program we are looking at certain allocations as shown on the slide. There are 13 other counties and \$82.4 M. That is a telling statistic on our funding crisis. In the next few years if things continue the way they are, we will have no money for any major projects in this state. This is quite a big issue.

We are recommending a modest increase in our statewide planning and research funding. This is basically to provide adequate State match for Federal funds. In terms of pavement preservation, we are proposing to increase it by \$10 M in 2013.

Communication is very important. Communication is basically talking to you, getting your input in what we do, telling our story, listening to your story in trying to develop our 5-year program and all of our programs. This is in recognition that communication is an integral part of what we do and it has to be given the right kind of emphasis. This provides that increase in budget for community partnership, community communications, etc.

***ITEM B: FY 2009 – 2013 Statewide Program Highway Construction Recommendations excluding MAG and PAG.** Some of the major projects we have going on in 13 other counties will be discussed.

1. The first one is the I-17 from Black Canyon City to Cordes Junction. The length of this project is about 20.5 miles. In 2012 we banked \$9.5 M for this project. In 2013 we are proposing to bank \$9.4 M for this project. This project conservatively would cost close to \$0.5 B to construct and we have a grand total of \$19 M right now in our bank towards this project. It will take a long time in current scenario to get to the point where we have adequate funds to even look at this project.
2. The next project is SR 89. It is widening to four lanes. In 2013 we are proposing \$10 M to bank for this project. In 2012 we have already banked \$15 M for this project.
3. The next project is in Mohave County. This is an interchange project. In 2013 we are proposing to bank \$18 M for this project. The total cost for this project will be about \$26 M. If the city gets the financing agreement accomplished a little earlier, there is a possibility that this project could be accelerated.
4. The next is a small project on US 60, Spurious Street. Basically it is to make this portion of this road a four lane with center lane. The existing in that small part is two lanes with a center lane.

5. Next is in Mohave County US 93. It is a very important project for many reasons. It is part of the CANAMEX corridor that is a priority for the Governor. This whole corridor has been talked about in this state for a long time. Many resolutions have been passed in support of this project. This will fill the gap on US 93 that is very vital to provide a safe transportation facility there.

To accomplish what we are doing, we have to invest in design studies. These are the break down of those investments.

***ITEM C: FY 2009 – 2013 PAG Regional Highway Construction Program Recommendations.**

1. The first project is I-10. In 2009, \$21 M was banked for this, in 2010 \$14 M, 2011 \$18 M for a total of \$53 M. It will need about \$3 M more to fully fund this project.
2. Next is an interchange I-10 from Marana interchange to Ina Road. It is about a 12.3 mile long section. It will cost about \$75 M to implement this project. In 2012 we banked \$4 M for this project and in 2013 we are proposing a \$6 M in addition to that for a grand total of \$10 M, so we only have \$10 M towards a \$75 M project. Again, we will be banking this project. If the finances do not improve it will be some time before this goes to letting.
3. Next project will conservatively cost about \$200 M to do this project. In 2012 we banked \$25 M for this project. In 2013 we are proposing to \$17.8 M for this project so you know we have a tremendous road to go before we get to our funding levels, to \$200 M before we can think about implementing.
4. The next project is I-10 Country Club Road TI. Again, the total cost of this project is upwards of \$50 M. In 2012 we banked \$4 M. In 2013 we are proposing to bank \$10 M so we have \$14 M towards a project that will cost more than \$50 M. So you see a pattern going on here. We are just in the banking business. That shows our sad financial situation. We are not implementing anything here, we are just banking year after year and hopefully we will have enough money to do something.
5. The next project is I-10 Wilmot Road TI. In 2012 we banked \$4 M. In 2013 we are proposing to bank \$6 M for a grand total of \$10 M and the project will take upwards of \$50 M to implement. Again, it will be sometime before this gets implemented because we do not have money.
6. The next project is I-19. In 2009 we banked \$9 M for that. 2011 \$29 M. Actually I am happy to report that this is close to getting fully funded through this banking process. There is a light at the end of the tunnel when we talk about banking. One of these days they will all have funding.
7. SR 77, Tangerine Road to Pinal County line. Again, this project needs about \$28 M and the banking started in 2010 with \$2 M, 2012 \$10 M, and in 2013 with \$12 M. We are hoping that this will accomplish this project. I think now it is fully funded to implement.

That concludes Items A, B, and C.

***ITEM D: FY 2009 – 2012 MAG Regional Highway System / Regional Transportation Plan Recommendations – Kwi-Sung Kang.**

MAG tentative 5-year program. The proposed FY 2013 projects in Maricopa County are as follows.

1. First item is on I-17 between Arizona Avenue and SR 101, construction of six miles of a general purpose lane for \$48 M.
2. The next item is on I-10 between Baseline Road and San Tan Freeway. Design of six miles of general purpose lane.
3. On I-10 in the far west at Perryville Road, construction of a new traffic interchange for \$8.2M.
4. On US 60 Grand Avenue, design of roadway improvement for \$8.1 M.
5. On US 60, Superstition Freeway and Meridian Road, construction of a new TI for \$8 M.
6. Pima Freeway between I-17 and Tatum Blvd, construction of seven miles of HOV lane for \$33 M.
7. West on Pima Freeway between Shea Blvd and Red Mountain Freeway, design of 11 miles of a general purpose lane.
8. Red Mountain between SR 101 and Gilbert Road, design of seven miles of a general purpose lane.
9. On San Tan Freeway between Tolleson and I-10, construction of HOV lanes. This project includes HOV to HOV connection.
10. On South Mountain between I-10 and 51st Avenue, construction of a new freeway. We programmed \$150 M for that segment.
11. SR 801, we set aside \$10 M for right of way purchase.
12. On SR 303 between I-10 and Grand Avenue we programmed \$155 M for construction of a new freeway. The other segment on 303 we programmed \$110 M for construction of a new freeway.

In the next five years in Maricopa County we will have \$3.56 B of freeway construction program.

Chairman Si Schorr asked what portion of these funds allocated to Maricopa County would come from the Maricopa County half-cent sales tax.

New speaker (John McGee?) – When we finalize the financial plan for the County program more exact number will be available. Probably about \$2.5 B will be coming from either the ½ cent sales tax or a bonds issue on the half cent sales tax.

***ITEM E: FY 2009 – 2013 Airport Development Program Recommendations – Mike Klein**

The Airport Development Program is predicated on revenues that go into the State Aviation Systems Plan. In that Systems Plan, the 2007 generated revenue was a little under \$23 M. It is based upon this revenue that the entire 5-year program is predicated. In 2008 we estimated a beginning balance of \$34 M with our anticipated revenues during 2008 of \$26 M and our anticipated expenditures of \$48 M. We anticipate ending FY 2008 or beginning 2009 with about \$12 M for the 5-year program that we are proposing. In this 5-year program, there are 93 airports that have in one form or another requested funding for grants, loans, pavement preservation programs and the like. Sixty-six of those airports submitted 952 projects worth about \$1.5 B. Those projects have to be prioritized and many of them are shared with Federal funding from the FAA.

For our programming, we took 74 projects that were requested for the 2009 project worth about \$41 M and put them through the Board's prioritization programming. Twenty-seven were proposed to be funded at \$21.6 M. This represents the first year of the 5-year program and State funding only. We still have other funds that will be used to match Federal dollars and conduct the other programs within the 5-year program. In 2009, we will have \$4.5 M set aside to match Federal grants. When the FAA issues a grant to one of those 66 airports, we will match 2.5% of that and the sponsor will be required to match the other share. This \$4.5 M will represent about \$100 - \$120 M worth of total Federal projects within the State of Arizona. Our \$21.6 M in State shared grants, because of budget constraints, the Airport Pavement Preservation Program has been reduced to zero for this particular year until funding is restored. Airport development loans are reduced to \$1 M and the State Planning Services is at \$1 M. This is for systems planning projects that cover the entire state that are conducted by the aeronautics division. Extending the 2009 program over the 5-year period, you can see that we are fairly stable with \$4.5 M in Federal funding, our \$18 - \$20 M program for State loans. We remain fairly consistent over the 5-year program with the Aviation Revenue Program. The cash fund balance is anticipated beginning at \$12 M in 2009 throughout the 5-year period reducing down to about \$8 - 9 M program. That would be the cash balance in the aviation fund. Various changes in the program can affect us depending upon current legislation that is yet to be resolved, but even in a worst case condition we are prepared to continue this program for five years. That is the aeronautics' 5-year development program.

Public Hearing ends and Board Meeting begins.

ITEM 2: Director's Report – Richard Travis – Deputy Director

The most pressing issue facing the department right now is the 2009 budget study which is starting to be developed in the legislature. Unfortunately, we do not have a lot of information, but based on some of the inquiries we received, the legislature is looking at all agencies to contribute to balance the budget with as much as 10% - 15% across the board cuts. Obviously that would

represent drastic lost opportunity for the Department of Transportation for the construction and maintenance of roads and aviation facilities. As we proceed through the development of the budget we will keep the Board advised. With the deficit where it is, with revenues declining, it is not a good situation. The good news is we may be at the bottom. From this point on, we hope that it will be nothing but good news both in terms of revenue and our ability to fund the needs of the State.

Chairman Si Schorr – We are getting to the stage that if things persist as they are, the monies used for transportation will be monies used simply to maintain the current systems without any hope of getting any new projects on board with funding by the half cent sales tax in Pima County and in Maricopa County and other counties as well.

***ITEM 3: Legislative Report – Kevin Biesty**

The Federal update – there is not much going on with the 2009 appropriations bill. It is unlikely that anything will be done under this current administration and it will probably have to wait until the next President comes into office. That is basically the same with the FAA reauthorization.

The State legislature – there is no obvious movement on the 2009 budget. There are meetings happening daily, leadership in the legislature is meeting at JLBC and trying to come up with some sort of agreement that they can present to the Governor. Also of interest to the Board is public/private partnership legislation. At this point there is no public/private partnership legislation moving forward. The Governor has indicated that she would not support a public/private partnership bill this year. There is a provision within the initiative to deal with public/private partnerships, so we will see that changing as far as legislation this year.

To the bills, House Bill 2049. The write-up that is provided to us through this service leads someone to believe that somehow authority is being taken away from the Department and the Board. I assure you that is not the case. After our audit, it was determined that there are antiquated statutes referring to the establishment of rules that are no longer necessary due to the current statutes that are in place. There were never any rules dealing with so when the auditor asks why we did not follow certain rules, it is because they were already addressed in statute. This bill has become a focal point at the legislature as a possible transportation omnibus bill. I have been spending quite a bit of time beating back different interests that try to tack onto this bill everything from a ban on texting while driving to licensing of off-highway vehicle dealerships. There is a lot out there. But I can tell you that we are working with various stakeholders to make some improvements in other areas on this bill. Most of them are technical, but one of interest that will probably come to the Board is a clarification with STAN (State Transportation Acceleration and Needs Program). As you recall, when the original STAN money was allocated, \$300+ M, the Maricopa County portion was allocated out through MAG, approved by the Board. There is one project in it where a city wants to use the money that was allocated to them for a specific project for a different phase of the project. The way the statutes are written, they are very specific. This city and MAG have gone in and are making some adjustments. It does not change who gets what money or what money is given; it is just more of a process correction.

Also there will be provisions to codify the State and Federal law on HOV lane use into our State statute. That has been something that the department and I have been personally working on for about three years trying to get it straightened out. It looks like we will get it this year.

1466 - Rest Area Privatization State Highways. This is just a simple statement in a bill that says that the Department may privatize rest areas. Now there is talk; they want to take it into conference committee. They want to add an amendment that there be no charge for people to use the restrooms if this is done. There will be another amendment that says there cannot be a charge for people to use a picnic area at a rest area if this is done. On one hand if the Federal law becomes a little more lenient they will privatize rest areas, but at the same time they are putting restrictions on it that may or may not allow a program like that to work. Again, we are monitoring it.

Senate Bill 1507 – The State Aviation Fund. This is a bill that has been worked on by many of the State leaders to try to make some changes to the fund to primarily use a three-year average rather than a fund balance. It has morphed into numerous other things. We are working with the Aviation Department and with the stakeholders to try to bring that back to the fix that would be important to the Department, the Board, and to aviation. It currently contains a public/private partnership provision. It is clear from the Governor's office that she would not support that, so we are trying to fix that and put the aviation piece somewhere else.

There is plenty of process left at the legislature unfortunately. The budget is still being worked on. If there are any breakthroughs or updates, I will make sure to let you know.

***ITEM 4: Financial Report – John McGee**

The legislature passed and the Governor signed the budget fix for the 2008 budget year. One of the provisions in that piece of legislation was a reversion of \$42 M of the \$62 M of STAN funds that were appropriated in FY 2008. That \$42 M had not yet been committed to projects. They left the \$10 M that has been committed to the roads of regional significance subaccount and the interest subaccount, but the other \$42 M they have been directed to transfer that to the Department of Public Safety. That was the major item in 2008. There were another of other small fund sweeps about \$15 M of aviation funds and some other smaller funds.

We do have results for HURF and RARF. First, looking at the Highway User Revenue Fund for the month of April, HURF revenue collections totaled \$116.9 M which was 2.3% below last year and 9.5% below the forecast. On a year-to-date basis, collections now stand at \$1.124 B which is 1.6% below last year and 5.8% below the forecast. All categories continue to perform below forecast and all categories except the other category are running behind last year. We also have results for March's half-cent sales tax collections in Maricopa County. RARF collections for the month of March totaled \$30.5 M which was down 1.8% from last year and about 8% under the forecast. Year-to-date collections now total \$286.4 M, 2.3% below last year and 5.5% below the forecast. All categories except utilities continue to perform below forecast and the retail sales and contracting category are running 4.6% and 8.4% respectively below last year.

Last month, Mr. Zubia asked a question specific to how Maricopa County tax collections were running compared to the rest of the State. We have done a little bit of research on that. We looked at the transaction privilege tax collections for the entire State through the month of March, information provided as by the Department of Revenue. For the entire State, TPT collections are down 1.8% compared to a year ago. In Maricopa County they are down 2.1%. In the 14 other counties, they are down about 1.1%, so you can see that the drop in performance on a percentage basis in Maricopa County has been higher than in the 14 other counties.

April Investment Report – For the month of April, ADOT earned \$4.8 M on its invested funds representing an annual yield of 3.61% and year-to-date earnings now stand at \$50.723 M representing an annual return of approximately 4.36%.

Finally with respect to the HELP fund, as of the end of April, the balance in the HELP account stood at \$124.8 M. This was up about \$5.7 M due to \$5.5 M of principle repayments, \$0.5 M of interest earnings and about \$300,000 in loan draws. I would add that when you see this report next month, as of the end of May, the balances will be down somewhat due to the fact that during the month of May we have funded two of the projects that the Board previously approved for funding. The \$2 M Pinal County project, the Thornton Road project and the \$14 M Tucson project, Mountain Avenue project. You will see that balance down somewhat next month.

***ITEM 5: Financing Program – John McGee**

Two items will be discussed: 2008 HURF Pricing and information on the Hoover Dam Bridge extraordinary call payment which we will be making.

2008 HURF Pricing was accomplished last week. Each of you should have the final official statement and the excellent report prepared by our Financial Advisor. A few items are highlighted. On the cover page is the official statement. We priced the deal on Tuesday, May 6. The final par amount of the bonds that were issued was \$193, 950,000. They were done on a senior lead structure. Both S&P and Moody's did affirm our ratings. When we discussed this last month I indicated that we had not had our ratings affirmed yet. Since this was the first issue that we were going to do beyond 20 years, while we thought those ratings would be reaffirmed, there was no guarantee of that. They were reaffirmed at the AAA for S&P and AA1 for Moody's. The maturity date on the bonds that were issued were issued in the 15 – 25 year range from 2023 – 2033. The average life on this deal was almost 20.6 years. That is the longest average life deal that we could do. The true interest rate on this deal was about 5.71%. For an issue that long, this is pretty good.

You have seen the senior managers and co-managers. Interestingly enough, along with the issue of Behr Sterns, the very day that we were pricing this issue, one of our other co-managers, UBS Financial Services put out a release indicating that they will be selling their municipal bond business and getting out of the business. This is kind of a shock. UBS has traditionally been in the top three firms in terms of total volume of municipal issuances. That was a bit shocking on the day that we were pricing, but certainly did not hurt the results of the sale.

Sources and uses chart. We issued \$193.95 M. We had a premium of about \$7.2 M. By the time you take out the cost of issuance and underwriters discount, we ended up with \$200 M for projects. This is the debt service schedule with some detail that shows the 4.71%. Our pricing schedule shows the coupons and yields that originally went out on the day of the pricing, and then the yields that we were able to negotiate down to. The differences in the yield column between the left set of numbers and the right set of numbers are all down anywhere from 3 to 6 basis points. We had very strong demand for the bonds. The market was looking for highly rated paper on the day that we were pricing this issue. We actually ended up with over \$1.4 B worth of orders for \$200 M worth of bonds. That allowed us to go back and renegotiate down that price fairly significantly. You will see that the majority of the bond issue, as is the case for virtually all of ADOT's bond, went institutional. About 3% were sold to Arizona retail and about 97% to institutional investors. There is a list of some of the major institutional investors that bought the Board's bonds. It is a very good mix of insurance companies, arbitrage funds, and many across the board were involved in wanting to buy our bonds.

Finally, the write-ups for both Moody's and S&P credit reports on this deal were handed out. It says some very nice things about the Board and their ability to manage both the bond program and the 5-year capital program. That is one of the major reasons for the very high ratings that we received.

Also under Item 5 of the agenda, in 2004, the Board issued approximately \$50 M worth of grant anticipation notes in order to accelerate the construction of the Hoover Dam Bridge project. Coincidentally this last week, John McGee and Mr. Elters had the privilege of taking a tour of that project. It is really impressive. Nevertheless, we did issue \$50 M worth of bonds to help accelerate that. We have been looking to the Federal government for additional Federal aid to repay those bonds. As the Board is aware, last year we received about \$23 M worth of public lands discretionary Federal funds for repayment. Under the terms that the bonds were issued, we can do an extraordinary call on any of the bonds that were issued at any point in time because we do have that additional money. We can only do it on January 1 or July 1 on the date of an interest and principle payment. As a result of getting that allocation of Federal funds, we have alerted our registrar paying agent that we do plan to call approximately \$16 M early of those bonds in addition to our regular payment that otherwise would have been due on July 1 of about \$6.7 M of which \$5.7 M is also principle. Altogether, we will be making a payment on July 1 of about \$22.8 M. Once that payment is made, that will leave about \$24 M of principle outstanding of the original \$50 M. It will also leave us with about \$2.6 M available for future payments until we receive additional Federal aid which we continue to work on constantly. As of July 1, the Hoover Dam bonds will be about halfway paid off.

John answers a question from Chairman Si Schorr about the possibility of obtaining Homeland Security money for this project. We have tried to get money from every source out there including Homeland Security money. Homeland Security money over the last several years has become a tougher source of potential funding for this. The Federal government is looking more to fund this through public lands, discretionary funds which they have considerably more of in terms of discretionary funds than Homeland Security and other similar funds. Eileen Calderon works for Kevin Biesty who is constantly in contact with our congressional delegation with

FHWA and others involved in this. Anytime there is any announcement of any kind of discretionary funds, we put in for it. We have been fairly successful. Four years into it, we will be at a point where we will be able to pay off half of the bonds. We continue to look for every source.

***ITEM 6: HELP Loan – John McGee**

There is a resolution accepting and approving a HELP Loan application from and authorizing a loan repayment agreement with the City of Peoria for a HELP Loan in the amount of \$9.91 M. As you will recall, this agenda item was carried over from last month. Mr. Zubia had asked a question with respect to how HELP Loans to this point have been allocated with respect to our traditional allocation splits between Maricopa County, Pima County and the 13 other counties in the state. We put together a chart that we hope answers that question. It shows that through December 31, 2004, as was required by statutes, the Board approved \$5.9 M worth of loans. The statutes required that through that date, 50% of those loans go to Maricopa County, 25% to Pima County and 25% to the 13 other counties. Once that statutory requirement was fulfilled, the Board established guidelines going forward through 2010 that we would shoot for having approximately 50% of all loans from 2005 – 2010 going to the 13 other counties, 37% to Maricopa County and 13% to Pima County which is the traditional rack allocation. As you can see to date, 47% of the \$95 M worth of loans that we have done have gone to Maricopa County, 32% to Pima County and 21% to the 13 other counties. I would also say that while the numbers, particularly for the 13 other counties are under what the Board has issued as a guideline, I would make two points. The guidelines were for the entire period, 2005 – 2010, so we still have a couple of more years to go. Secondly, to this point, the Board has been able to approve every loan that has come forward. It is not that we have been excluding anyone, it is just that to this point we have not received as many loan requests as we might otherwise have hoped for the 13 other counties.

Mr. Zubia states that it illustrates what he suspected was the case. He would like to see ADOT staff take a more proactive approach with the other 13 counties to educate them on the program and identify the potential projects where they can.

Mr. McGee - as we had talked a couple of Board Meetings ago, because a significant portion of the funding for this program comes from Board funding obligations which are general funds, because the general fund is under stress, and because the BFOs are subject to call, we had recommended that once this project was approved, assuming that it is approved, that we put a hold on trying to generate any additional HELP Loans until we are certain what 2009 will look like with respect to the general fund. We are through 2008 with the budget fix. It does not appear that there will be a call of the BFOs in FY 2008. Not knowing how the 2009 general fund will be balanced, we continue to believe that it would be most prudent to not approve additional loans over this loan for some months until we see how that resolves. That continues to be our recommendation.

Board Action: Motion made to approve. Delbert Householder motioned to approve. Felipe Zubia seconded the motion. Awarded.

***ITEMS 10 – 41: Priority Planning Advisory Committee (PPAC)**

Discussion on items 18 and 20. There appear to be some discrepancies in the State's estimates for unstable soil and rock. Rakesh Tripathi.

SR 77 @ MP 145 – the requested action is to increase the construction project by \$8 M to \$19 M. This increase is needed for rock excavation which increased significantly based on geotechnical reports. When we received the geotechnical report, the extent of work that was required was more than what was anticipated. That is what reflects in the increase in funding for this project.

New Speaker comments – When we program funding for a project, it is based on a scoping document of the needs of the project. Once the project is funded, advanced, and construction begins, we do more detailed design based on actual testing of materials including geotechnical. That includes pulling samples, looking at materials, and knowing how it will behave as performed. In this case, we discovered some unexpected conditions that will require geo-textile applications and stabilizers in order to build the project and move it forward.

Item 20 – US 60 @ MP 236.2 in Gila County. The programmed amount was \$7.1 M and the requested action is to increase the construction project cost by \$5 M to \$12 M. This \$5 M increase is needed to stabilize new field sections which were identified in the geotechnical report. Again, it backs to the State Engineer's assertion that when the geotechnical examination is done, certain engineering aspects are seen that do not have the luxury of being seen on a scoping level. This was identified by the geotechnical report showing that new stabilization had to be done. That is the justification for this increase in cost.

Board Action: These items will be dealt with in one motion. Motion to approve given by Delbert Householder. Motion seconded by Bob Montoya. Board members in favor. Items 10 – 41 awarded.

***ITEMS 42 and 43:** There is one Federal matching grant for the Chandler Municipal Airport and one State and Local grant for the Prescott Municipal Airport for your consideration. Staff recommends approval of grants, Items 42 and 43.

Board Action: Motion made to approve by Delbert Householder. Motion seconded by Bill Feldmeier. Board members in favor. Items 42 and 43 were awarded.

STATE ENGINEER'S REPORT – Sam Elters

***Item 51:** The trend that was established in February, March and April seems to continue which is setting a record for the highest construction program in one month and then breaking it in the following month. At the present time, we have 100 active construction projects for a total of \$1.4 B. That happens to be the case in spite of the fact that in the month of April we concluded 13 projects for over \$80 M and we moved those off the books and still went from \$1.3 B to \$1.412 B. We have been extremely busy. We are proud of the fact that we are able to deliver in spite of the hiring freeze that we are dealing with at the same time. In this year, we have finalized 100 projects and we have 100 active projects. Those numbers were verified and are accurate.

We have six projects on the Agenda for you to consider today. The total low bid compared to the State estimate is about 3% points above the State estimate so we are pretty close.

Chairman Si Schorr recused himself from Items 53, 54, 56, 57. Delbert Householder assumes Chair for these items.

***Item 52:** Pavement preservation project. Bids were opened on April 25, 2008. This is on SR 69 in Yavapai County. The apparent low bidder is Asphalt Paving & Supply, Inc. The bid amount was \$3,064,965.80. The State estimate was \$3,588,461.00. The bid is over 14% below the State estimate. We received six bids. The low bid is a good bid and award is recommended.

Board Action: Motion to approve this project made by Bill Feldmeier. Motion seconded by Bob Montoya. Board members in favor. Project was awarded.

***Item 53:** Intersection improvement project including widening for turn lane and signal upgrade. Bids were opened on April 25, 2008. This is on SR 92 in Cochise County. The low bidder is Bison Contracting co., Inc. The bid amount was \$1,912,935.23. State estimate was \$2,033,083.70. The bid is approximately 6% under the State estimate. We received six bids. In review of the bid tabs and completing analysis on that, we believe that this is a good bid and recommend award.

Board Action: Motion to approve this project made Bob Montoya. Motion seconded by Victor Flores. Board members in favor. Project was awarded.

***Item 54:** Bridge replacement and road widening project due to the approaches to the bridge. Bids were opened on April 25, 2008. This is on SR 169 in Yavapai County. Apparent low bidder was FNF Construction, Inc. Bid amount was \$4,191,911.81. State estimate was \$3,745,367.00. The low bid is approximately 12% above the State estimate. We did receive six bids on this project. In reviewing the bid tabs, we concluded that the biggest difference is in the bridge portion of this project. The State estimate for the bridge portion of the work is about \$2.5 M and the low bid was about \$2.993 M. I personally believe in reviewing the bid tabs analysis with staff, given the location of the work, we underestimated the cost of the bridge. With that in mind, we do have a good bid. We received six bids, all were fairly close, and all were above the State estimate. With that in mind, award is recommended.

Board Action: Motion to approve this project made by Bill Feldmeier. Motion seconded by Bob Montoya. Board members in favor. Project was awarded.

***Item 55:** Pavement preservation project. This project consists of hot in-place recycling for 10 miles and an overlay of 10 additional miles. The overlay is simply due to insufficient thickness at the present time, and the hot in-place recycling is the Department's continuous effort to do innovative work and experiment with technology. Bids were opened on April 4, 2008. This is on US 191 in Apache County. The apparent low bidder is Haydon Building Corp. The bid amount

was \$5,844,147.80. The State estimate was \$5,431,786.60. The bid is about 7% above the State estimate. We received nine bids. This is a good bid and award is recommended.

Board Action: Motion to approve this project made by Bob Montoya. Motion seconded by Si Schorr. Board members in favor. Project was awarded.

***Item 56:** Guardrail upgrade project. Bids opened on April 25, 2008. This is on US 60 in Navajo County. The apparent low bidder is Show Low Construction, Inc. The bid amount is \$226,579.00. State estimate was \$191,019.00. The low bid is \$35,000 above the State estimate. We received four bids. Given the location of this project and the remoteness of it, this is a good bid and award is recommended.

Board Action: Motion to approve this project made by Bob Montoya. Motion seconded by Bill Feldmeier. Board members in favor. Project was awarded.

***Item 57:** Construction of two new bridges over Washington Street and Mill Avenue on SR 202 or the Red Mountain Freeway in Maricopa County. These two bridges were separated from the design build project that department has just put out at \$180 M. The purpose for separating these two projects and completing them in advance is because they do cross over the light rail system that is scheduled to become functional in December 2008. The intent was to build these projects and get them done so that we are not working over live traffic when the light rail project is operational. With that in mind, bids were opened on April 25, 2008. The apparent low bidder is FNF Construction, Inc. The bid amount was \$5,152,810.20. The State estimate was \$4,799,248.55. The low bid is approximately 7% above the State estimate. In reviewing the bid tabs and looking at the analysis of them with staff, this is a good bid and award is recommended.

Board Action: Motion to approve this project made by Felipe Zubia. Motion seconded by Bob Montoya. Board members in favor. Project was awarded.

***Item 58: Comments and Suggestions.**

Chairman Si Schorr spoke about public hearings that the Board will be conducting in connection with the TIME initiative which has been filed. The TIME Coalition has filed an initiative to be voted upon in November of this year concerning multimodal transportation funding in the order of \$42 B to be funded by a statewide 1% sales tax. My understanding is that the Board will have to take action on this under the terms of the initiative and accordingly we are scheduling public hearings with respect to that. The first hearing will be in Flagstaff on June 4, 2008, location and time to be determined. The next meeting will be on June 9, 2008 in the Tucson area, again location and time to be determined. The third meeting will be on June 11, 2008 in the Phoenix area. The Board voted to have a meeting in Winslow on September 19, 2008, so for those here from that area, be aware that there will be in meeting in that area on September 19.

***Item 59: Consent Agenda**

Chairman Si Schorr will recuse himself with respect to all items that he previously recused himself from. He asks for motion to approve the Consent agenda. Motion to approve made by

Delbert Householder. Motion seconded by Bob Montoya. Board members in favor. All items on the Consent Agenda awarded.

CALL TO THE AUDIENCE:

Tina Moore, Director of Programs representing Tucson Airport Authority requests two modifications to the FY 2009 of the 5-year Airport Capital Improvement Program.

The first request is for consideration to increase the grant value to acquire approximately eight acres of runway protection property at Tucson International. The property has been valued in ADOT right of way and ADOT Aeronautics has approved the valuation. In doing so, the property has increased in value for \$267,654.00 which means we would need to increase the current programmed amount from \$1,272,250.00 to \$1,539,804.00.

The second modification would be for consideration in increasing the grant value for the reconstruction of runway 6 left, 24 right at Ryan Airfield. Tucson Airport Authority has just recently completed an update to the cost estimates of that project. In doing so, it would seem that an additional \$423,585 would be required which means the current programmed value is \$1,564,290.00. If this revision is considered, a new grant amount would be \$1,987,875.00.

We have forwarded further information onto the Aeronautics Division with further details. In doing both of these increases, it would not affect either airport's grant cap amount. Thank you for your consideration.

Matthew Smith, Director of Yuma Airport would like to offer an amendment to the FY 2009. Originally Yuma Airport had two projects slated in airport reconstruction of an apron in which the State's share would be \$1.8 M and a design for terminal expansion for \$200,000. We would like to wipe off the apron reconstruction and take that \$1.8 M and assign it to the terminal and make it from a design to a design/build, so the total amount of the State's share would remain exactly the same \$2 M. We are not asking for any more money, it is just that certain things have happened that are outlined in the letter that was given to the Board on the reasons why we need to do this. Essentially it is because of capacity and safety issues. We have added another airline and they have added about 75 – 100 people a day to our terminal. Our holding area can hold 60 people. We have up to 130 people on the first three flights in the morning which means that we have to cram them through security and then store them on the airplanes rather than in our holding area because we do not have the space. We are planning to build out from a 60 person sterile area to a 200 person sterile area. This will enhance further growth and we are also getting pressure from the TSA to expand and move up a category security wise. Again, we are not asking for any more money, just for the same money to be allocated to a single project design/build terminal expansion.

Carol Springer, Yavapai County Supervisor thanks the Board for their service to the State. As a member of one of the 13 other counties, we appreciate the strong leadership representing Yavapai County interests on the Board. We would also like to thank you for proposing \$10 M in 2013 for Highway 89 between Prescott and Chino Valley. That highway has been one of our major issues, so we appreciate your recommendation for funding for that. This will be another

partnering project between ADOT and Yavapai County and CYMPO. We look forward to working with you on that. As a reminder, Yavapai County has worked hard to partner on all kinds of venues with ADOT. A couple of years ago a working group was formed called CTLU (Coordinating Transportation and Land Use). That is a working group of our district, ADOT staff, our county transportation folks, our county planners, CYMPO and Federal highways. We get together on a monthly basis and work on projects. Our primary goal is to plan for transportation projects ahead of development. On a day-to-day basis, we work on every issue where a County Road interacts with a State Highway and we have been extremely successful. Carol recognized Dallas Hannig the District Engineer for his leadership in the working group and his efforts to make it successful.

Update and appreciation is given for being able to move a few projects forward in the past. The interchange at 89/89 A will be done this week. Finally 69 and 89 interchange is under construction and will be a significant improvement for the Tri-city area. The next project is called the Viewpoint interchange on 89 A and you will be updated on that from us. Thank you for your help and support on the planning.

Marissa Walker, Executive Director of the Governor's CANAMEX Taskforce. It has been requested on behalf of the new Chair, Jim Colby and members of the Taskforce to respectfully submit a resolution that was passed on May 1, 2008 in support of the program funding for US 93 in the FY 2013 and our continued interest in improvement along US 93 and all segments of the CANAMEX as it relates to Arizona. The Governor in January recommitted and restated her prioritization of the completion of CANAMEX in an Executive Order. The success of the CANAMEX corridor is contingent on being able to effectively link major market areas, being able to reduce transportation costs and to being able to improve safety for the citizens and commercial traffic that travel along that route. With the impending opening of an important connection between two of the fastest growing metropolitan areas in the nation, Las Vegas and Phoenix with the Hoover Dam bypass, there is considerable concern about making sure that US 93 continues to be improved and that we can have that access point open. Thank you for this opportunity.

Patrick O'Neil, lives in the vicinity of Dudleyville and would like to speak about the proposed I-10 bypass in the Aravaipa area. He understands this may be on next month's agenda. He would like to provide a brief report. On April 16, the Winkleman Natural Resource Conservation District at its regular meeting voted unanimously to oppose a bypass route through the Aravaipa area. On May 4, the Aravaipa Property Owners Association at its regular meeting adopted a similar resolution unanimously. Each of these groups will be providing a letter to this Board. The issue is of great interest in our community and we are looking forward to further discussion.

Dennis Wiss, Airport Director for the Show Low Regional Airport and current President of the Arizona Airports Association. With representatives from Yuma and Tucson, the City of Show Low, he would like to ask for a modification to the 2009 tentative plan. In March of this year, we met with representatives of the FAA in Show Low regarding our runway safety area. We were able to show them that off one end of the runway it drops 60 feet. God forbid an airplane goes off the end or we have a problem. With that in mind, the FAA has asked that we make the runway

safety area improvements a priority. In order to meet that request, we would ask that the obstruction removal project shown in the 2009 project be removed and replaced with a project that would allow us to update our airport layout plan as well as Phase 1 of the runway safety area improvements. The net/net is a \$207,000 increase in State funding to the City of Show Low for grant funding. This does not affect our cap. We are well below the cap; however, this would enable us to expedite the runway safety area improvement construction and hopefully make it a much better airport.

Janet Aneil, Beaver Creek Region. This consists of residence of McGuireville, Rimrock and Lake Montezuma. Thanks to the State Transportation Board, staff, and all those in the Prescott and Phoenix ADOT office who have taken the time to answer their questions and have worked hard to design safety improvements for the old, substandard interchange. The McGuireville interchange is the lifeline to the communities and is of constant concern. They are grateful that the Board and ADOT have found a way to improve this interchange so that it can be used safely by the end of the next FY. They look forward eagerly to the new wider, longer ramps and the improved guardrail system. They will try hard not to complain during the long construction phase. The Board deserves great credit for approving this rural project. Thank you for doing the right thing for an unincorporated area on the east side of Yavapai County. They hope to celebrate the bid award for the improvement this summer in a park that the residents have built and maintain. All are invited to celebrate with them. Thank you for sending this project out to bid.

Bahe Jackson, from Navajo County. He comments on the traffic lights at the intersection on Highway 264 and Highway 77 from Holbrook Junction to Highway 264 that goes from Tuba City to Gallup. On a travel to Mesa there is a dangerous intersection. Sometimes people do not stop and there needs to be an intersection light or stop light. That is what is being requested of the Board. We have been requesting this for 1 – 2 years through the highway transportation and Fort Apache agency. His colleague from the roads committee told him that there is no money for this and it is not on the agenda. Someone from Fort Apache roads transportation committee might be here reporting on this. He would remind you to ask questions on those. He wonders how long it will be for the Board to consider this request. He would ask that it be put on the agenda for next month.

Chris Tilly – During the tenure of the current Mayor of Payson, she has served as Chair of the Mayor's Alternate Route Taskforce. She speaks for the majority of the residents of Payson and Star Valley about the need for an alternate route connecting 87 with 260 which goes around the bottleneck of the current intersection in Payson. Both the current Mayor and the Mayor-elect of Payson and the Mayor of Star Valley strongly support the request for an alternate route. The Mayor-elect of Payson, Kenny Evans, would have been here himself, but unfortunately he had another commitment. The spring rodeo is on this weekend. He has addressed a letter to the Board stating his strong support for this route. The town councils of Payson and Star Valley have passed resolutions requesting that work on such a route be commenced as early as possible. The Gila County commissioners have also indicated their support for this highway. Several members of the legislature who travel this route to and from the capital have been stuck in our traffic. Some of them have indicated this in communications with the Board. This past Wednesday, the Hell's Gate Fire Department also passed a resolution requesting an alternate route, a copy of

which will be forwarded to you. This fire district covers Route 260 from the edge of Payson to Kohl's Ranch. The need is clear. With DPS reporting back-ups of 17 miles on the highway into Payson on holidays, the safety of people and property is at risk. How would emergency vehicles get to a fire or a medical emergency? With the traffic already as bad as it is today, how much worse will it be in 10 to 15 years? They respectfully request that this project be placed on an expedited tract.

Andy Burtleson, Public Works Director for Coconino County. Mike Conner, Construction Manager for Coconino County Parks and Recreation Department is also with him. Andy speaks in reference to the tentative 5-year transportation facilities construction plan, Page 17, Item 10-8-10, the 89A Airport Road traffic interchange, John Wesley Powell Blvd. It is scheduled in FY 2011 at \$62 M budgeted for construction. They are excited about this project. They feel that it will solve ingress and egress concerns especially during the major events at the Coconino County Park, Fort Tuthill, the county fair, horse races, and there is a new amphitheater at the park and the operations there. It should also resolve stacking issues on I-40 and safe turning movements. They are looking forward to working with District Engineer John Harper and staff on some final design considerations as it relates to Fort Tuthill County Park and some specific issues; the final right of way and land acquisitions needs and funding for that are programmed into the project in the near future. Thank you Board for being in Northern Arizona.

Ed Blair, representing four folks from Payson. As a council member he asks for help with the feasibility study for an alternate route south of Payson and Star Valley. The reason is to avoid the terrible bottleneck in downtown Payson. It is at the McDonald's corner where Highways 87 and 260 meet. That bottleneck is the cause, but the congestion lasts for miles and miles. The town councils of Payson and Star Valley are unanimous in supporting this feasibility study to solve the problem. He has included their resolutions in a handout to the Board. He is a council member in Payson and they are very aware of what the many needs before the Board are, acknowledging that. He speaks for others, the traveling public of Star Valley and points east and north. Without the downtown Payson congestion, folks would get to Pine, Strawberry and points on the rim much easier. He also speaks for the citizens who go east through Payson and Star Valley to reach Heber and Lakeside. He also speaks for the citizens of the Valley who really want to make a beeline for cooler air and recreation. Please consider the wide range of citizens who will enjoy a better quality of life if and when this alternate route goes through the forest south and east of Payson and Star Valley.

Margie Beach, Communications Director for Salt River Materials Group. This is one of the organizations she represents today. She also has permission from Mayor Diane Jones of Cottonwood to speak for them today. Casey Rooney is with her today who is the Economic Development Director for the City of Cottonwood and represents the Cottonwood Economic Development Council. Thank you for the money that is being spent in the Verde Valley right now. Progress is appreciated that is being made on Highways 89A and 260. The 89A four-lane will be great. SR 260 between Cottonwood and I-17 is also in need of help. Right now, the progress is being made is between Cottonwood and the 1,000 Trails turnoff. It will be a beautiful bifurcated highway. They strongly urge this Board to look again at something that has been considered in the past called the Four Service Alignment from the 1,000 Trails turnoff to I-17. A

better highway is needed to get their citizens from the upper Verde Valley to I-17 and then down into the Phoenix area.

Salt River Materials Group has the Phoenix manufacturing facility in Clarkdale and sends over 130 trucks a day loaded with cement out of the plant. They go through the City of Cottonwood on Highways 89A and out to 260. There are two very bad intersections within the City of Cottonwood. They would like to urge the Board to look at a bypass of the towns of Cottonwood and Clarkdale for not only their own product but also the Clarkdale Metals which will be starting to send out tons and tons of old slag that will be coming out of their project in Clarkdale and also the project in Cottonwood that will also be sending out slag from the old copper mines, smelter slag. On behalf of Salt River Materials Group, they are interested in the possibility of a partnership with the Department of Transportation to make these improvements a reality and perhaps they could also act as a facilitator so that other industrial partners could participate in that.

Finally, Cottonwood would like to invite this Board to meet in Cottonwood sometime during 2009. Thank you for the time and effort that you the Board spend in time, travel and thought.

Mike Flannery, thanks the Board and ADOT for everything that they have done within the CYMPO area. There has been a long-standing relationship prior to CYMPO. Prior to that there was a TPO. The county had imposed a half-cent sales tax and a large portion of that money goes to partnering for projects and much has been accomplished in the area. Today, you have approved a number of projects within the area. Thank you. Supervisor Springer mentioned several important projects that are itemized in the 5-year capital improvement plan and he wants to reiterate how important 89 is to his area. From a local level, Viewpoint Drive TI is very critical. With the opening now of 89/89A TI, there are people moving east/west on 89A with the exception of one area which people now have to exit, co-mingle with Viewpoint Drive people, and then get back on 89A. He would like to have that considered to be put into the 5-year plan if possible. Local contributions have been dedicated to that and it is known that the Board is interested in partnering. With Dallas Hammig's assistance on district monies, he has used that with Stanley Consultants to complete a technical memorandum for a 30% design and gotten best alternate plans for that and cost estimates. He has some good foundations for the Board and would like to have the Board consider that. He would also mention, because of the planning being done in the area, when it came time to do the critical needs, they were prepared for that and had a list for the Board. They look forward to seeing the Board in July because they are hosting the State Transportation Fair.

Jack Kramer, Interim Kingman City Manager. Thank you for getting a tentative 5-year plan and especially for Rattlesnake Wash project in Mohave County which is very important to the Kingman area. The City of Kingman extends their gratitude. Councilman Watson, Mayor-elect Salem and Mayor-elect Gordon also made the trip here today to show their gratitude, and also to show the support for the 93 project, the four lanes near the dam, the last 10 miles and the project south of I-40 that is on the 5-year plan. Again, thank you for the Board's support.

Chairman Si Schorr states that there is a common thread running through many of the request and that is lack of funding. You may have the opportunity in the fall to address your concerns in the ballot box. There is certainly the ability today to talk to the state legislators who represent your respective districts and tell them about your needs and the fact that as it stands today, we are in a trajectory in which, if things go unimproved, we will have money only to maintain roads and that will not be very inclusive either.

Adjourn: Chairman Si Schorr motions to adjourn. Motion seconded.

The meeting adjourned at 11:00 A.M.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation